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AN ECONOMIC HISTORY OF  
SOVIET RUSSIA

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# AN ECONOMIC HISTORY OF SOVIET RUSSIA

By  
LANCELOT LAWTON

VOLUME II

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## CHAPTER XXVIII

### THE CONSEQUENCES OF THE NEW POLICY—ACHIEVEMENTS OF SOCIALISM—STATE ENTERPRISE AND PRIVATE ENTERPRISE—APPEARANCE OF A NEW BOURGEOISIE (1924-25)

IN the present chapter the results achieved by the revolution up to 1924-25, and particularly during the period of the New Policy, will be summarised.

The statistics cited are taken from the reports of the State Planning Department, one of the chief economic authorities in Soviet Russia.<sup>1</sup> Recovery began from the moment when the New Policy was introduced—when, in other words, communism was abandoned.

In 1920-21 agricultural production had fallen to 52 per cent. of the pre-war amount. By 1924-25 this percentage had been raised to 77.7.

In 1921-22 industrial production was as low as 17.5 per cent. of pre-war amount. By 1924-25 this percentage had also been raised to 70.6.

Most Bolsheviks ascribed this revival to the cessation of the civil war and the allied blockade; but turbulence was not circumscribed by fronts, nor was blockade alone effected by fleets. The desperate measures which the Bolsheviks themselves adopted when enforcing communism involved the whole population in strife, and

<sup>1</sup> It should be explained that whenever statistics are cited in this work concerning production previous to the war they refer solely to the territory of which Soviet Russia is constituted. As a result of the War, Imperial Russia lost territory which contained one-third of the total number of her industrial enterprises, one-sixth of the total number of her industrial workers, and one-fifth of her yearly industrial production.

provoked all producers to blockade all consumers. When such measures were relaxed, when energy was freed from state control, recovery at once set in.

It was then seen that the destruction wrought by the revolution although great was not so tremendous as had been supposed. This circumstance was attributable chiefly to the fact that, owing to the backwardness of Russian agriculture, little modern machinery was used on the land; hence the damage done was of necessity restricted. That they might thwart the state, the peasants decreased the sowing area in the period of communism, but a limit to this retrenchment was imposed by their own need to survive. When free trade, and with it incentive to produce, was restored, all that they had to do was to take up their primitive tools again and begin to work as energetically as they had done in Tsarist days.

If agriculture by its nature was indestructible, industry because of its structure was difficult to damage. Personnel suffered much more than plant. Managerial and technical chiefs withdrew, and their places were taken by ignorant men. That in itself was enough to bring activity almost to a standstill for a while. But before long many of the absentees returned, and substitutes were found for those who failed to do so. Had destruction of machinery been everywhere thorough, it would have proved more irreparable than the disorganisation of staffs. That it was only partial was due to want of skill on the part of the destroyers. Wreckage of strongly-constructed machinery called for more intelligence than was possessed by the mob. Consequently, the destroyers had to content themselves with smashing or carrying off essential parts. New parts were then un procurable, and machinery was thus disabled. But later it was not found difficult to effect replacements, and set production in motion again.

By 1924-25, 89 per cent. of all means of production—in other words, of the fixed capital of industry—had been socialised. If railways owned by the state were included,

then the proportion of industry socialised was as high as 90 per cent.

Banks and credit were socialised in entirety, trade to the extent of 70 per cent. of the capital turnover, and foreign trade completely.

Agriculture presented a different picture. Here, of the means of production (consisting chiefly of land) only 4 per cent. had been completely socialised, the remaining 96 per cent. being owned by the peasants.

It was computed that of all fixed capital, expressed in chervonets rubles, the state possessed 11.7 milliards, the co-operative organisations 0.5 milliard, and individuals, mainly peasants, 7.5 milliards. Thus of the total means of production in the country 62 per cent. was socialised.

Which was winning, socialism or capitalism, state enterprise or private enterprise? It must not be thought that because it owned nearly the whole of the industrial means of production, and therefore two-thirds of *all* the means of production—agricultural, as well as industrial—the victory of the state was assured. Means of industrial production, consisting chiefly of buildings and plant, were larger in value than those of agriculture, consisting chiefly of land and implements. But, as regards man-power, agriculture predominated over industry; the number of proletariat employed was 5 millions, of peasants hundreds of millions. This marked disproportion between the two predominant classes was reflected in the productivity of both. Professor Litoshenko said that of the various items making up the 15 milliard gold rubles which was the value of gross production in 1923-24, rural production accounted for 51.5 per cent. and industrial production for 38.5 per cent.; and of the various items that made up the total of 12.4 milliard rubles, the value of net production in the same year, rural production accounted for 47.7 per cent. and industrial production for 22.8 per cent.<sup>1</sup> It should be added that the peasants only put one-third of their

<sup>1</sup> "La Situation Economique de L'Union Sovietique." (Paris, Marcel Giard, 1926.)

produce on the market, retaining the rest for their own sustenance.

Capitalist industry in Soviet Russia was restricted to concessions to foreigners or to a few undertakings of a kind deemed peculiarly suitable for private exploitation. The value of the yearly gross production of all such enterprises was 400 million rubles. In addition, petty individual industries and handicrafts were allowed to survive. The value of their gross production in 1925-26 was about 1,800 million rubles, one-fifth of the value of the gross production of all industry and one-half of the value of their gross production in pre-war times; but if commodities of common consumption only were taken into account, the proportion produced by petty individual industries and handicrafts was said to be as high as 40 per cent.

The foregoing figures are striking. They show clearly that, although the large-scale means of production had passed into the hands of the state, production was still mainly the concern of the individual. The state had socialised all big factories and all factory workers; but the overwhelming majority of the Russian people, the peasantry, who produced with their own labour, using but little mechanical power, remained as individualistic as ever.

In what proportion was trade shared? Which transacted the most, state or individual enterprise? Of wholesale trade 78.2 per cent. was socialised in 1923-24, 90.5 per cent. in 1924-25. Of retail trade 41.4 per cent. was socialised in 1923-24, 55.7 per cent. in 1924-25. Since the end of 1923 striking progress had been made in the socialisation of retail trade. At that time, according to Mr. Larin, as much as nine-tenths of the village trade and four-fifths of the retail town trade were in the hands of private individuals.

The figures cited show that four years after the introduction of the New Policy wholesale trade was almost exclusively conducted by the state, and that more than

half the retail trade had already passed to its control, mainly through the agency of co-operative organisations. It was not surprising that wholesale trade should have been almost completely socialised ; for the government had a monopoly of nearly all the means of production, and therefore of the disposal of nearly all the commodities produced. The reasons for the rapid socialisation of retail trade were less apparent. The New Policy had been designed mainly with a view to a revival of opportunity for this form of trade. The purpose in view was severely practical. The state did not diminish its hatred for the smaller trader ; it merely recognised that he was indispensable for distributive purposes, and that so long as he was irreplaceable, he must be spared. Yet toleration did not imply indifference. The state refrained from repression, not from rivalry, but it undertook that rivalry on its own side would be fair. This undertaking was never adhered to.

The power of the state was vast. Without exceeding the legal limitations of this power it could impose a crushing handicap upon its rivals. Monopolising wholesale trade, it required the private shopkeepers to pay exorbitant prices for inferior articles, and withheld supplies from them altogether whenever it suited its purpose to do so. Not content with these discriminative measures, it also exacted confiscatory taxation.

Yet in the earlier period of the New Policy private traders managed to exist in considerable numbers, and some even to thrive. Various ruses were practised by them, the transit of smuggled goods across frontiers, the placing of agents in state trusts so as to ensure abundant wholesale supplies, the purchasing of numerous small lots of commodities at state shops and their subsequent resale at inflated prices, the financing of or participation in co-operative organisations, the members of which were bribed to work against the interests of the state.

As soon as the Bolsheviks realised the extent of this capitalist permeation they became alarmed. According

to official statistics, the bourgeoisie as a class had been reduced to a quarter of a million. At one time it was assumed that this remnant would never lift up its head again.

But at the XIII Communist Congress in 1924 Zinoviev made the following remarks: "Marx raised the theoretical question of a possible redemption of the bourgeoisie following upon the revolution. Yet neither he nor Lenin said anything as to how in reality this conquered bourgeoisie would look a few years later. . . . A new bourgeoisie is developing. It is a class peculiar to itself. We threw it from the fifth floor, but it got on its feet again and is now alive. It is neither a youth nor a man. The head is not in proportion to the body, nor the body to the head. Yet it would be a miracle were it not to grow up in the environment created by the New Economic Policy. . . . Has the New Economic Policy gone beyond its limits?"

Zinoviev went on to explain that the new bourgeoisie was hostile to the Soviet Government, and that words were spoken by it which none dared to utter a few years before. At a conference of engineers in Leningrad, for example, one speaker was so bold as to talk of the "rights of man." This is what he said: "The communists declare that their régime will last for ever. That is a fatal mistake. The communist régime is a temporary economic measure. The motto that labour will be the power in the world is not a true one. It is a motto that binds our hands. The power of the world will be the free thought of the free man. That is the only motto under which we can work, and for this we demand the rights of man."

The voice of the engineer was not solitary. Murmurs came also from university students and well-off peasants. Was it possible that a class once dumbed by the terror had recovered speech? And was it possible also that by reviving trade the New Policy had reinforced this class, and afforded it a foothold for its hostility to the

soviet power? Zinoviev was the first to put a question in the minds of many communists: "Has the New Policy gone beyond the limits of wisdom, has it conferred excessive freedom upon private enterprise, and is the revolution therefore in jeopardy?"

Of the existence of a bourgeoisie there was no doubt. Statistics afforded no indication of its true strength, for they were based upon a rigid Marxist definition, and took account only of those who employed labour, or, as Bolshevik agitators said, "of those who live by the exploitation of the toil of their fellowmen."

The question arose: What is a bourgeois?

For this question the revolution had no convincing answer. Marxist definition was too narrow, besides which, it had never impregnated the minds of the masses. To their way of thinking, any person was a bourgeois who possessed the simplest article which they lacked, or who was cleaner or better dressed than they.

The following incident was typical of the times: From the muddy streets of Moscow a worker entered a palatial building, once the residence of a millionaire, but now a proletarian club.

"Take off your goloshes! We must have some culture here," said the official in charge.

It should be explained that it was the custom in Russia to deposit goloshes in the entrance hall before proceeding into a room.

"Take off goloshes? What next! Why, that's old bourgeois prejudice," answered the worker indignantly.

Propaganda was largely responsible for the grotesque misconceptions of the proletarian mind. Always the bourgeois class was caricatured as odiously sleek, and "bourjoui" became a term of opprobrium, although frequently it was more applicable to those who used it than to those against whom it was used.

In reality the bourgeoisie consisted of heterogeneous elements, of which the nepman or trader was the most assertive type, the prefix "nep" being composed of the

first letters of the words "New Economic Policy." The nepman was matched by the nepwoman, and always the pair were caricatured as swollen and over-fed. Other categories of which the bourgeoisie was composed included officials, specialists, students, workers promoted into the bureaucracy, communists, and ex-communists who had abandoned or been expelled from the party. There was, in fact, not a single occupation that did not contribute a quota to this newly-formed middle class. Many persons who belonged to it masqueraded in rags and lived in squalor rather than allow their true status to be revealed. But most of the new bourgeois were not so discreet. They could not forgo the satisfaction of flaunting well-being.

What troubled Bolshevik leaders was the fact of which I have already spoken, that all grades of society were represented in this resurrected class. Fear that the spirit of the past might be reborn took hold of many of them, and soon advocacy of merciless repression was heard again.

When introducing the New Policy, Lenin never intended that it should be a departure from the purpose of Marxism which was class extermination. He had merely concluded that it was more expedient to suffocate the bourgeoisie slowly than to kill it off quickly, wiser to let it linger on for a while, directing what little vigour was left to it towards its own destruction and the building up of a new order, thus conserving socialist energy as much as possible.

But Lenin miscalculated. The individual trader exhibited more virility than he had thought possible. Consequently no serious attempt was ever made to carry out the New Policy. Soon unfair rivalry gave way to undisguised repression. Many Bolsheviks even favoured harsher measures than those actually enforced. Had their wishes prevailed, Russia would have been plunged back into the nightmare of communism.

Already the dictatorship was sufficiently rigorous.

From the moment when it was realised that private enterprise might gain the upper hand, the state, as privileged trader, was replaced by the state as gendarme trader. Thousands of shops were summarily closed. In numerous instances the taxation imposed was so high as to absorb all profit. Many tradesmen were arrested and exiled. It was not an uncommon experience to pass along a street only to find a succession of shutters, where before there had been continuous window displays, nor was it an infrequent experience when travelling in some remote part to meet an exile, and be told that the crime for which he had been banished was that of keeping a shop or a kiosk.

Yet the more repression increased, the more the trader made use of his wits in order to elude it. Hence capital, instead of circulating freely through the system, moved mysteriously underground ; and much of it, in spite of stern preventive measures, found its way abroad.

After a while the Bolsheviks realised that harmful and unforeseen reactions were occurring. At this time the state lived from hand to mouth. Money was urgently needed for all purposes. Wage arrears were growing, factory equipment was continuously breaking down. State industry was bankrupt. Foreign credits were unprocurable. The solitary source of revenue left was private capital. In other words, the Bolsheviks could only survive by the expropriation which under the circumstances meant the extinction of individual wealth. Thus, whilst they failed to achieve the solvency of the state, they rendered impossible the solvency of the citizen, robbing him of his livelihood and giving him nothing in return. How were they to conserve capital whilst crushing capitalists ? Such was the predicament in which they were placed. Hoping to find a solution, they invited private traders to conference in 1925 ; and gave an undertaking that all administrative measures against them would cease, and that thenceforth they would be granted privileges "almost equal" to those accorded state trade. But

a request that all political discrimination against merchants as a class should be done away with met with refusal.

The state failed to keep its pledge. After a short respite persecution was resumed. In some towns requests were made to traders that they should subscribe substantial sums to the world revolutionary movement. In the event of refusal they were exiled and their businesses confiscated. In numerous places the soviets arbitrarily levied taxation up to amounts sufficient to cover their total expenditure, regardless of the limitations prescribed by law, and anyone who protested was mulcted in still higher taxation. Sometimes shopkeepers were evicted from favourably-located premises to make room for state or co-operative undertakings. And frequently private shops were prevented from opening on market days in order that they should not compete with state enterprises. In one instance a co-operative society so reduced its prices that all competing shops were forced to close their doors. Consequently it bankrupted itself, and would have fared no better than those whom it had ruined had not the state come to its aid. Alluding to this and other incidents of a like character, Dzerzhinski said : " Because of our treatment of the private trader the co-operatives have become the monopoly exploiters of the population."

## CHAPTER XXIX

INDUSTRIAL PRODUCTION APPROACHES THE PRE-WAR LEVEL—STALIN'S CLAIM THAT SOVIET RUSSIA IS OVERTAKING THE CAPITALIST NATIONS—HIGH COST AND POOR QUALITY OF GOODS—EXTRAVAGANCE AND SPECULATION—HEAVY LOSSES SUSTAINED BY THE STATE—THE STRUGGLE FOR GRAIN (1925-26)

DURING 1925-26, the state strengthened its monopoly of wholesale trade, at the same time establishing ascendancy in retail trade, its share of which rose from two-fifths to three-fifths. The rigorous persecution of the shopkeeper described in the preceding chapter had borne fruit.

Gross production of all industry, large and small, was now valued in pre-war prices at 6,900 million roubles, or 92 per cent. of pre-war total. Since 1924-25 the output had doubled. When it is borne in mind that in 1920, the year before the introduction of the New Policy, industrial production had fallen to between 15 and 20 per cent., the progress made appeared spectacular.

Stalin and his supporters expressed enthusiastic satisfaction at the swift development of socialist industry. Pointing to the fact that in 1924-25 production was nearly 48 per cent. in excess of the previous year, and in 1925-26 37 per cent. in excess of 1924-25, they declared that no other nation in the world could show a comparable rate of progress, in proof of which assertion they advanced the following facts: in the decade before the war the yearly increase of production in Russia was 3.8 per cent., in the United States 3.5 per cent., and in Great Britain 1.16 per cent. It was added that 6.5 per

cent. represented the maximum rate of increase in any country during this period. The conclusion to be drawn was that Soviet Russia was moving forward at unprecedented speed; that, indeed, it was rapidly overtaking the most advanced capitalist nations. Such progress was attributed to the economy resulting from the annihilation of the monarchy, nobility and bourgeoisie. The circumstance was entirely overlooked that in their place had come a soviet aristocracy and a privileged proletariat, whose burden upon the community was certainly not less heavy than had been that of their predecessors.

The true cause of the revival of industry was not that suggested by Bolshevik leaders. The destruction of the old classes and the substitution of socialism for capitalism were not responsible for the changed conditions. On the contrary, it could be said that revival was due to relaxation of socialism, consequent upon the New Policy. The speediness of such revival was hardly surprising. Little new plant had been installed. Nearly all the equipment in use was inherited from the old régime. It is true that this equipment was badly in disrepair, but, for reasons previously set forth, it was not an insuperable task to bring much of it back into working order. The rate at which production increased therefore corresponded largely to the rate at which repairs could be effected, and this proved to be fairly rapid. Another factor that enabled production to be accelerated was the availability of stocks of raw materials left over from the old régime.

Estimated in percentages, the progress made seemed staggering. But it must not be forgotten that originally these percentages related to extremely low levels of productivity; hence advancement appeared more remarkable than it was in actual fact.

In 1920, industry had been almost at a standstill. As communism was abandoned, production revived, and, since it began almost from nothing, had been easily able to expand faster than the production of other countries.

whose industries had reached an advanced stage of development, beyond which progress was bound to be slow and measured. In comparison with the industries of such countries, Russian industry was very small and ill-developed. Yet, wholly ignoring these considerations, soviet leaders boasted that Russian socialist industry was surpassing world capitalist industry.

On the other side it could be argued that it was a remarkable achievement to approximate pre-war production with an equipment which despite improvement was still seriously crippled. Results certainly showed that the loading of this equipment was more intensive under Bolshevism than under Tsarism. But in the valuation of these results aspects other than the aggregate of production had to be taken into account, as, for example, cost and quality of the commodities produced, and their suitability or otherwise for the satisfaction of the ordinary needs of the population.

Although the sum total of industrial production was above, the output of certain basic industries was below pre-war level. For example, the production of ore was only 36 per cent., of pig iron 52 per cent., and of steel 62 per cent. of that in 1913.

From other aspects also the progress of soviet industry was not so striking as had been represented. Cost of production was exorbitant; this was one of the causes why the prices of manufactured articles were still as much as from 200 to 300 per cent. above world prices. An arshin of cotton material, which before the war cost only 19·7 kopecks, now cost 57·4 kopecks; and in some regions, as has already been said, material was altogether un procurable, whilst others were fitfully supplied, the result being that whenever consignments arrived shops were besieged, and emptied in a few hours. Nor was scarcity confined to any particular article or locality. There was no part of Russia that did not at all times suffer from lack of some essential commodity; and the quality of such goods as were obtainable continued to be

wretchedly poor. The apparent contradiction between an acute shortage and a pre-war level of production was to be explained by several circumstances.

First, since 1922 the population had been steadily increasing; in the beginning of 1926 it exceeded the total for 1913 by 4 millions. Thus in four years more lives had been born than had been lost during eight years of wars and revolution. The Bolsheviks saw in this fact a proof of the success of their régime; but they forgot that the population was increasing before the revolution not less rapidly than it did afterwards.

Secondly, the development of production was disproportionate. More attention was bestowed upon the creation of means of production than upon the production of articles for consumption. Thus, whilst the sum total of production approached pre-war level, the simplest articles of common consumption were lacking.

Lastly, production had been so low in the early period of the revolution that, no matter how quick was its recovery at a later stage, arrears could not be overtaken; thus the desire of the population to make up for the deprivations and losses of the revolution remained unfulfilled.

The gap between agricultural and industrial prices had narrowed slightly, though hardly sufficiently to be perceptible; but the purchasing power of the ruble continued to fall. In 1925-26 it was now half that of the pre-war ruble.

Foreigners who visited Russia at this period were surprised to hear of the swiftness of industrial progress. Many of them returned home to give highly favourable accounts of the Bolshevik régime. But the more shrewd among them could not help observing the widespread poverty and misery in Russia, and they refused to be deceived by statistics that afforded no insight into the life of the people.

Several Bolshevik leaders spoke with severity of the anarchical condition of socialist industry. Their remarks

are worthy of quotation in full, for they were far more scathing than those of non-communist critics, and afford a vivid contrast to the indiscriminate praise of ignorant foreign admirers.

On April 20, 1926, Dzerzhinski, who was then President of the Supreme Economic Council, addressing the Præsidium of this body, used the following words :

“ We are living with unheard-of extravagance, far beyond our income. Hundreds of millions of rubles are squandered. Speculation is flourishing on an enormous and unprecedented scale. Our industry is bureaucratic. All state trusts and trading organisations are loaded with thousands and thousands of superfluous officials and weighed down with superfluous expenses. According to their balance sheets, they allow extras to the extent of hundreds of millions of rubles. These extravagances are transformed into town demands, and so goods cannot reach the villages in sufficient quantities ; all such unnecessary expenses raise prices to prohibitive levels. The staffs of the trusts are swollen to unprecedented dimensions. Take the Steel Trust, for instance. Despite the difficult financial position of this trust, its staff has been increased from 250 to 900. Colossal sums of money are swallowed in payment of salaries. The same thing is true of the co-operative organisations. . . . There are 400,000 officials associated with revision committees alone. . . . We wastefully consume vast quantities of oil, fuel and raw materials generally. Speculation flourishes on a gigantic scale, and goes on freely with goods, the producer of which is the state. State industry does not know how to distribute. Henceforth individuals and not collegiates must be made responsible. A director of a state enterprise ought to regard himself not as an official who sits tranquilly on the state budget, but as a master whose sole interest it is to reduce expenditure, and so lower the cost of production. Our industry is a bureaucratic industry ; it is necessary to change the whole system so as to make the individual responsible.”

Stalin also delivered a speech, repeating in substance what Dzerzhinski had said. He declared that "dreadful bacchanalia" were taking place, that millions of public money were flung away on jubilees and festivals, and that the overhead charges on all transactions were enormous. Communists, he said, were more culpable than non-party men; they regarded the resources of the state as private property. "An orgy of merry robbery," he continued, "is going on. The happy-go-lucky robbers can be counted by the thousands. And the worst of it is that they are looked upon as 'smart fellows' instead of being objects of public opprobrium."

In July, a few weeks before his death, Dzerzhinski made another speech, in the course of which he said: "We are smothered in bureaucracy. Our system and practice of administration are in themselves sufficient to paralyse efficiency and restrict output. . . . But it is the man and not the machine who runs a business, and it is the work of individual brains which ensures success. . . . For instance, one simple question by the chairman of the rubber trust concerning prices had to pass through thirty-two various stages in the same office. All the accounts rendered have reached such dimensions that they have lost all meaning, and are simply unintelligible. I assert that all the figures presented to us in the reports of the trusts are inflated and fantastical. The accountancy is mere fantasy, it is bluff. . . . Why is a trust not rendered responsible for the figures and data which it presents? First it gives certain figures, which we alter; our own figures are then altered by the Gosplan (State Planning Department), and so on *ad infinitum*. . . . According to such a system anyone is justified in telling lies. . . . We must cease writing voluminous reports, which no one has time to read. . . . Thanks to our system, which holds institutions and not individuals responsible for defects and failures, we are all smothered in shoals of paper reports, and out of

touch with those men who really work and are competent experts. I have, as it were, to sit on mounds of paper, and when capable clever people, those who actually live and work, come to see me, I have to turn them away, because I have no time for them. We cannot go on like this. We do not keep pace with life; we are losing touch with it and falling behind. . . . Other methods must be discovered. I am searching for an issue, but have not yet found one."

A few weeks later—on July 20—Dzerzhinski made a dramatic appearance before the Central Committee of the Communist Party. He was in an angry mood. Again he declared that the whole economy of the state was being conducted in an unbusinesslike manner, that millions were being wasted, that the bureaucracy had reached colossal dimensions, and that hours and hours were idled away in the discussion of the merest trifles. "I am terrified by all this!" he exclaimed. And he told how he had frequently tendered his resignation as President of the Supreme Economic Council. He also made outspoken attacks upon some of the prominent leaders of the party who were present. He accused Piatakov, his nearest colleague on the Supreme Economic Council, of presenting false and meaningless figures; and called Kamenev "a sly hero" and a "politician who had never done any serious work in his life."

In former years Dzerzhinski had frequently challenged soviet statistics and found fault with soviet methods; but never had his criticisms of the regime been so despairing as during 1926. So severe a denunciation within a few hours of his death made a deep impression.

The motor-car industry afforded an instance of state mismanagement. In the whole of soviet Russia there were only 11,000 motor-cars, large numbers of which were reserved for the use of the bureaucracy; outside government departments long lines of cars were always standing, and in some of these cars were crystal vases containing flowers.

Cars had been indiscriminately imported from all the countries of the world ; it was estimated that no fewer than 513 different types were represented. When, as frequently happened, some cars broke down after a few months' service, repairs could not be effected, because no spare parts were procurable in the country.

The state had purchased a number of cars, the price of which abroad was 6,000 rubles, for which it paid 18,000 rubles. In the soviet press an instance was mentioned of a car originally priced at 711 rubles costing 3,600 rubles by the time it reached Leningrad. It may be mentioned that duty on a Ford car was seven times higher than on a Rolls-Royce car.

Evidence of economic disorganisation was contained in a report made in April of 1926 by Mr. Rudzutak, then Commissar of Communications, concerning the appalling condition of the railways. No new trucks had been constructed since the war and the revolution ; a deficiency of 30,000 trucks and 500 locomotives was to be expected that year. The permanent way was in a deplorable state. Inspection and management were carried out in a slipshod manner, and accidents were on the increase. Drivers and firemen sometimes fell asleep. Closed signals were passed, and points wrongly set. Incorrect coupling and loose brake nuts were common. Railway wages had given serious concern for the last two years, but had lately been brought into line with those of other industries ; the average rate of 41 rubles per month ruling at the beginning of 1924-25 had grown by the beginning of 1925-26 to 58 rubles. But the quality of labour was tending to fall, a fact hardly surprising, for good work could not be expected so long as station staffs were housed in trucks and tents. Workers' settlements consisted of dug-outs, and assistant station-masters received lower pay than labourers.

The commissar concluded with a ludicrous example of bureaucratic method. When the State Planning Department found that the railway revenue per pood-verst, as

calculated by specialists, failed to produce the sum which was required, it insisted that this pood-verst revenue should be raised, although losses were bound to result, and to increase as traffic increased.

The capital at the disposal of the industrial trusts was very inadequate. Yet in their zeal to expand business they ventured upon projects involving large expenditure, drawing for the purpose upon current accounts at the bank, and charging capital expenditure to working costs. At all times there was a dearth of fluid money. The payments between the trusts were made largely with bills. Negotiation of these bills was difficult, and high rates of discount prevailed. After much effort a reconstruction loan of 300 million rubles was raised during 1925-26. The Commissariat of Finance advanced scrip to the trusts, making them responsible for repayment with interest within a definite period. The banks in return were required to advance the trusts 80 per cent. of the value of this scrip. They were hard put to it to find the money, and the trusts were mulcted in double interest.

Although the state monopolised wholesale trade and transacted 60 per cent. of all retail trade, it was suspected that the resources of private capital were larger than had been supposed. Many communists resented that so high a proportion as 40 per cent. of the production of socialised industry should still reach the market through the agency of the merchant. Hence a demand arose for an investigation with a view to determining the limits of private capital in circulation and the precise nature of the function which it performed, the idea being that if it were of serious account it could be drawn upon for socialist purposes to a greater extent than had hitherto been done. In response to this demand the Supreme Economic Council charged a commission with the task of "devising means for the utilisation of private capital in the construction of the socialist state."

Evidently the illusion persisted that private capital could still be made to work as much in the interests of

socialism as of itself. Nothing came of the commission's labour. But the President said that those who believed that private capital was of serious account were justified in their belief. "It is an undoubted force," he added. But whence it originated he confessed he could not say. He merely remarked: "It is the consequence of some accumulative process in the depths of our economics." In spite of the fact that the state treated all who were not its servants as outlaws, many contrived to trade, and even to amass a little wealth.

Soviet leaders were haunted with the problem to which I vaguely alluded at the beginning of this chapter, the problem of how fixed capital was to be renewed. It has been said that at the end of 1922-23 50 per cent. of all industrial equipment was worn out. Since then, according to official information, 120 million rubles had been invested in all branches of national economy, including industry, electrification, agriculture, municipal enterprises and house-building. How much of that sum had been devoted to industry was not clearly stated. But whatever was the proportion, it was certainly far from sufficient to make up for the heavy depreciation of fixed capital which had taken place. It was not denied that the trusts had frequently diverted amortisation funds to working capital, nor was it contended that the sum expended upon renewals out of the large subsidies granted to industry had been anything like adequate. Most authorities agreed that, taking industry as a whole, at least 25 per cent. of machinery was still out of repair. And of the equipment which had been restored to working order much dated back to a period long before the war, and even the remainder was too old for modern needs. Complete replacement was therefore called for. The preservation, rather than the expansion, of industry had thus become the task of immediate moment. The *Pravda* published statistics showing that many hours of work were lost owing to the breakdown of worn-out machinery, and declared that a point had been reached

when repair was more costly than the purchase of new machinery. In addition, stocks inherited from the Tsarist regime were exhausted. These stocks had been immense, including, for example, 300 million poods of oil, 200 million poods of coal and 12 million cubic sagenes of wood. Largely because of them Bolshevism had managed to survive. This heritage was now dissipated, and the creative capacity of the system was about to be seriously tested.

In April of 1926 Dzerzhinski said: "We have used up all the working capital bequeathed to us by the bourgeoisie, whether in funds, building or materials. Capital must be renewed, industry reconstructed. Meanwhile, having no available resources, we are faced with an acute famine in manufactured goods. The same applies to our store of skilled labour; we are confronted with the task of training a new personnel of experts and workers. . . . Our industrial output has not reached pre-war level."

Lastly, on May 18, 1926, Rykov, then President of the Council of Commissars, said: "Henceforth we shall have to construct new factories and new equipment. This will be more difficult than starting old factories, already equipped. That is why in the next few years we cannot hope to develop our industry as quickly as we have done in the past."

In an appeal for economy issued in August by Messrs. Stalin, Rykov, and Kuibyshev (the latter had succeeded Dzerzhinski as President of the Supreme Economic Council) the following passage occurred:

"As a minimum a few hundred millions of rubles are required to buttress industry. There are two ways possible of securing these hundreds of millions: one, by exploiting the peasants, squeezing from them the greatest possible amount, and placing the proceeds at the disposal of the soviet industry. Some groups within the Communist Party advocate this course, but it is not acceptable, because it would increase the antagonism

between the peasants and the workmen, and certainly undermine the dictatorship of the Communist Party.

"There remains only the possibility of curtailing the expenditure of the economic and administrative machinery which devours about 2 milliard rubles [£200 million] annually, of which it would be possible to save 300,000 to 400,000 rubles to subsidise industry. But the régime of economy proclaimed nearly a year ago remains a farce. Under the pretext of economy, factories employ a greater number of children, and curtail the number of adult workers, without the consent of the trades unions. They also cease lighting workmen's clubs, close workers' schools, abolish the supply of hot water to factory workers, and under various disguises lower the workers' wages.

"While this petty economy is being enforced at the workers' expense, the establishments maintain swollen staffs and the higher officials receive bonuses, increase their own salaries, give themselves everlasting travelling commissions, receive advances which they do not refund, exploit the official motor-cars for private purposes, and so on and so on. Such abuses have created hostility among the workmen towards the principle of economy, inducing them not to increase the productivity of labour."

Hundreds of millions of rubles were required for reconstruction. How ironical that a state which but a few years before had set out to abolish money should come to wish for it so ardently!

The advice of the Bolshevik leaders that this money should be obtained by the practice of economy rather than by the exploitation of the peasant was not followed. Equipment from abroad was necessary for the reconstruction of industry. Such equipment could only be purchased with stable foreign currencies, and these currencies could only be acquired from the sale of Russian produce. Henceforth efforts were concentrated upon increasing the exportation of various commodities, especially grain.

Allusions have been made in the previous chapters to the yearly collection of cereals by the state, but nothing has so far been said regarding the machinery devised for the purpose. Grain prices for each large area were fixed in Moscow; but liberty was given to separate republics to lower or raise these prices within the limit of 10 per cent.

Narcomtorg (*i.e.* the Commissariat of Trade) was the department entrusted with the fixing of prices. In theory its decisions were based upon an estimate of the lowest sum likely to induce a peasant to surrender grain—in other words, to entice him to sell that he might secure sufficient money wherewith to purchase a minimum of manufactured articles for himself and his family. Actually with a view to assisting the accumulation of capital a price-discrimination was made in favour of industry. Such price-discrimination necessitated an arbitrary determination of the cost of production. As a rule, world prices influenced the Soviet Government but little in fixing internal prices, for by this time the isolation of the soviet currency from the international exchanges had become an accomplished fact. This aspect of the subject is important, but since a discussion of it would necessitate examination of the foreign trade monopoly as a whole, it must be reserved for a future occasion.<sup>1</sup> It was evident that, provided competition was held in check, the procedure outlined offered abundant scope for the manipulation of prices in the interests of the state. But such manipulation required rigid control of the private traders, for otherwise they would be able to outbid whatever price the state offered. Theoretically state purchasing was centralised; but a number of agencies participated in it, and all keenly competed one with another, the result being that prices sometimes were forced up. In addition, the vigorous competition of private traders had to be contended with. They took decisions quicker and paid quicker than did the state.

<sup>1</sup> See Chapter XXXI.

Wild speculation broke out. Prices varied according to each town; hence merchants bought supplies in one place and rushed them to another that they might secure the maximum profit at the moment.

Private mills sold flour at 5 per cent. below the price quoted by state mills. Yet they paid higher wages and heavier taxation than were paid by state enterprises; and at the same time did what these enterprises had always failed to do—that is, put by large reserves for the renewal of plant. It was not surprising under these conditions that the proportion of grain secured by the state was small, and that the export trade suffered. Hence in 1925–26, as has already been mentioned, the decision was reached to wage open war upon private trade.

Amazing scenes were witnessed. The countryside became a jungle. Competing buyers engaged in free fights. Frequently they erected obstacles on the road, or dug trenches in order to impede, and if possible prevent the passage of grain carts. The state flagrantly penalised private traders. It imposed exorbitant railway rates upon them, and sometimes withheld transit facilities falsely, asserting that all trucks had been booked ahead. Yet private traders often contrived to get over these difficulties. On some occasions they stored flour in warehouses close to railways, thus taking advantage of a regulation which required that all flour so stored be given preference in transit. On other occasions they sent flour by passenger trains as ordinary luggage, and when it reached its destination sold it at a good profit.

Once a sensation was caused in Leningrad by the arrival of two ships, one named the *Karl Marx*, the other the *Rosa Luxemburg*, laden with flour, the consignees of which were private traders. In order to reach the north from the south of Russia, these ships had voyaged through four seas—the Black Sea, the Mediterranean Sea, the North Sea, and the Baltic Sea. Despite the high freightage rates paid, the cargoes of flour were sold at a large profit in Leningrad, and the Bolshevik news-

papers published in that city, whilst deplored that state ships should have been employed as carriers for private enterprise, had to confess that the supplies were welcome and that had it not been for them the ships would have voyaged empty.

Often the state was driven to purchase grain from its rival, the private trader. Often, too, private traders disguised as labourers attached themselves to state buying organisations and acted the part of middleman. There was no form of cunning, no form of corruption that was not practised. Frequently those who represented the socialist state were not less greedy than those who were enemies of it.

Some success was achieved in driving private trade from the grain market, but practical results were negligible. As in the past, the peasants would not give up large supplies. The reasons for their refusal were those which had influenced them in former years. The price offered by the state was inadequate, and the purchasing power of the money which it tendered was small.

*Economic Life* said that in the four chief grain-raising regions the prices paid during July of 1926 for a pood of grain bought only one-third of the quantity of manufactured goods purchasable by a pood in pre-war days. The state, for instance, paid 1 ruble 10 kopecks, or 1 ruble 20 kopecks, for a pood of wheat. This sum was 90 kopecks in excess of the pre-war amount. But when the peasants visited shops in the nearest towns they found that the purchasing power of the ruble had fallen to 33 kopecks. Whereas in pre-war times the price of a pood of wheat purchased 7 or 8 arshins of cotton material, from which a dress or a shirt could be made, it now purchased only 1 arshin.

One writer remarked: "A mujik sold three loads of grain to the state. But when he went to the shop to buy manufactured goods it appeared that he had sold only one, not three. Where did the other two loads go? The answer was that they were swallowed up by the bureaucratic apparatus of socialism."

Often, as has been said, money was of no use whatsoever, for no manufactured goods of any kind could be procured. The mujik therefore preferred to hold on to his grain rather than sell it for paper which he could not convert into commodities. Banks offered him 8 per cent. for his savings, but, as one observer said, the peasant preferred a pood of grain in the bin to a chervonets in the bank.

The harvest war gave only moderate results. The quantity of grain collected by the state was about 524,000,000 poods, or 150,000,000 poods in excess of 1924-25. From the reserve 107,538,000 poods were exported, 85,000,000 poods more than the quantity of cereals exported in the previous year, but only one-sixth of that exported in 1913. The grain sold abroad in 1925-26 was not sufficient to secure a favourable balance on foreign trade. For the second year in succession the balance was adverse; in terms of current prices it amounted to 106 million roubles.

Calculated in pre-war prices, the value of agricultural production in 1925-26 as a whole was 7,150 million rubles, 1,500 million rubles higher than the value in 1924-25, and 98.5 per cent. of that of 1913. More hopeful still was the fact that the grain harvest yielded 4,836,000,000 poods, 522,400,000 poods more than the harvest of the year before, and only 186,000,000 poods less than that of the pre-war year, 1913.

The situation was strangely two-sided: industry and agriculture near pre-war level, yet on different planes, the one socialised, the other striving not to be socialised; the one hungering for food and raw material, but incapable of supplying the other with the articles of which it stood in need in return for the produce of which it had abundance; the one resorting to knavery, the other to cunning, and both consumed with the bitterness of belligerency. Meanwhile, Bolshevik dreamers dwelt in a statistical fairyland, adding up figures regardless of what they stood for, boasting of totals regardless of what they meant.

## CHAPTER XXX

### INTERNAL ACCUMULATION—SMALL REVENUE FROM CONCESSIONS—DEFICITS ON STATE ENTERPRISE—TAXATION (1923-24—1925-26)

By what means had the soviet system maintained itself up to the present?

By what means did it propose to maintain itself in the future?

The first question has been partially answered in previous chapters, but more detailed explanation is called for.

The government had little hope of securing foreign loans. It was considered that financiers would require terms which, if conceded, would have the effect of transforming Russia into a European colony. Such a supposition was not altogether groundless. It was unlikely that capitalists would show leniency towards a régime whose power was derived from expropriation. In 1921 Lenin had been willing to offer the Baku and Grozny oilfields as concessions to foreigners. Two years later it was authoritatively declared that Russia was ready to pledge the crown jewels and a portion of the gold reserve as security for a foreign loan. But since then the situation had changed. The need for money, though pressing, was not so acute as before, but the sum required was very large. In 1924 responsible Bolsheviks told me that at least £200,000,000 would be wanted for the development of state industry, and an equal amount for municipal purposes—that is, for the construction of new and the repair of worn-out systems of tramways, drainage, water, gas and electric light.

Since foreign loans were un procurable, the Bolsheviks

had to rely upon internal accumulation of capital. Three sources were open to them: (1) State enterprise, (2) the expropriation of the proceeds of private enterprise by excessive taxation, price-manipulation, forced loans, and currency emission, (3) savings of the people. I will examine each source in turn, and describe its influence upon the others.

Was state enterprise profitable? It is unnecessary to emphasise the importance of such a question. State enterprise was the foundation upon which Bolshevism was built. If it failed then Bolshevism had no justification.

No reliable information was available as to the financial condition of the trusts. Dzerzhinski, it will be recalled, was of opinion that the figures which they published were false and meaningless. How then, it may be asked, could the Bolsheviks demonstrate that state enterprise was profitable? The answer is that they relied upon the evidence of the budget. It was to the budget, therefore, that the investigator turned in order to find out whether or not they had established their claim. At once he was confronted with a document the purpose of which, it seemed, was to cause mystification. On the expenditure side appeared many millions of rubles described as grants and subventions to various departments. Neither the purpose of these grants and subventions, nor the names of the departments to which they were allotted was revealed. To what extent they were absorbed in state enterprise therefore remained unknown. Putting aside, though not out of mind, this consideration, attention may be directed to figures specifically relating to state enterprise. It was upon these figures that the Bolsheviks based their conclusion that socialist industry was profitable. Hence they must not complain if their critics consulted the same source.

In the budgets of the years specified, revenues from all state enterprise<sup>1</sup> were set down as follows: 1923-24,

<sup>1</sup> Railways are not included. By this time they had ceased to be a charge upon the state budget.

100 million rubles (£10,000,000); 1924-25, 307 million rubles (£30,700,000); 1925-26, 430,400,000 rubles (£43,040,000); total 837,400,000 rubles (£83,740,000).<sup>1</sup> Expenditures for state enterprise during the same years were set down as follows: 1923-24, 220 million rubles (£22,000,000); 1924-25, 221 million rubles (£22,100,000); 1925-26, 480 million rubles (£48,000,000); total 921 million rubles (£92,100,000).

Thus for the three years indicated a deficit of more than £8,000,000 was plainly revealed. In addition, it might be suspected that part of the subventions and grants to which allusion has been made were devoted to state enterprise, and went to swell the deficits. On the other hand, it must be borne in mind that the trusts retained funds for working capital and the renewal of plant. But the fact remained that however much they diverted to the one purpose, state enterprise was still unprofitable, and however much they devoted to the other, plant was still at least 25 per cent. below pre-war efficiency.

It might be argued that most of the expenditure for state enterprise was incurred for increasing fixed capital, not for meeting current losses. No doubt a large proportion of it was utilised in this way, how large is not known, for only the total expenditures of different branches are available, not the sums spent upon different undertakings.

One fifth of all revenue from state enterprise, nearly as much as was yielded by trade and industry, came from the exploitation of forests. The Bolsheviks found it easier to cut down timber than to operate plant.

Revenue from foreign concessions was not large. Up to the end of 1925-26, 141 concessions had been granted for trade and for the exploitation of minerals, and the royalties received during the year amounted to about £500,000. The conditions which the government

<sup>1</sup> In this chapter, that the reader may have some idea of equivalent values, rubles have been converted into pounds at the official rate of exchange in Moscow.

attached to the concessions reflected its impecuniosity. Usually it required the formation of a mixed company—that is, a company in which foreigners held 49 per cent. and the soviet state 51 per cent. of the shares. But, whereas the foreigners subscribed 75 per cent., the state contributed 25 per cent. of the capital; even then the state was not required to pay in its share until the profits which it received from the enterprise were large enough to permit it to do so. The concessionaires had to undertake to open large credits, the amounts of which were sometimes in excess of the capital subscribed. Without such credits no business could be done; in other words, commodities could not be produced and marketed unless foreign money was provided for the purpose.

The receipts from excise increased from 213,718,000 rubles (£21,371,800) in 1923-24 to 825,667,564 rubles (£82,566,756) in 1925-26—a total which was as much as half the revenue from taxation of all kinds, and about a quarter of the revenue from all ordinary sources. This increase was largely due to the re-introduction of the vodka monopoly.

In the budgets for the same years, revenues from state trade and industry, considered as one branch of state enterprise, were set down as follows: 1923-24, 55 million rubles (£5,500,000); 1924-25, 93 million rubles (£9,300,000); 1925-26, 161 million rubles (£16,100,000); total 309 million rubles (£30,900,000). Expenditures for state trade and industry during the same years were set down as follows: 1923-24, 227,513,000 rubles (£22,751,300); 1924-25, 277 million rubles (£27,700,000); 1925-26, 480,112,550 rubles (£48,011,255); total 984,625,550 rubles (£98,462,555).

It will be seen that the deficit on trade and industry was £67,562,555. It was, therefore, much larger than that on state enterprise as a whole. This circumstance told heavily against Bolshevism. Trade and industry were concerned with the manufacturing or creative side

of state enterprise. Failure in these spheres was therefore serious.

Secondary factors, favourable and otherwise, already mentioned in relation to state enterprise as a whole applied equally to state trade and industry. Unfortunately their true significance was unknown. But even had it been known, it could not have altered the fact that socialist trade and industry took more from the state than they gave to the state.

Soviet writers argued that inasmuch as state enterprises contributed to the revenues of the state budget it was clear that they were profitable. This contention wholly ignored the fact already mentioned that the total of these contributions was exceeded by sums set aside for state enterprise on the expenditure side of the budget. What proportion of these sums was used for the expansion of fixed capital is unknown. Beyond question the contributions of a number of state enterprises were large enough not merely to cover the amounts which they received anew from the budget for increasing their plant and equipment, but to yield surpluses which could have been used for increasing the plant and equipment of other state enterprises or for partially defraying losses incurred by them. Here it should again be emphasised that whenever profit was made in the strict sense of the term it was the consequence of the exploitation of the population through the instrumentality of high prices. So far allusion has only been made to budget expenditure for the specific purpose of state enterprise. If an account could be drawn up of the direct and indirect expenditure of various commissariats on behalf of state enterprise which under different disguises were provided for in the budget, only then would the full extent of the losses of state enterprise be revealed. Having a monopoly of large-scale production, the state conducted its business extravagantly, and being all-powerful in other spheres recovered the costs of the extravagance from the proceeds of forced loans and high taxation and prices.

Under the capitalist system better results were obtained. Prior to 1914<sup>1</sup> Russian industry yielded 800 million gold rubles yearly, part of which provided dividends, leaving a substantial margin for development purposes. In addition, taxation to the extent of 500 million gold rubles was paid yearly to the state treasury. Soviet industry had no comparable achievement to its credit. Although it found a ready-made equipment to hand and enjoyed large subsidies, it had hardly limped back to the pre-war level of production, and was as yet incapable of paying its way.

Here a curious fact may be mentioned. The revenue from state enterprise under the soviet régime was much less than the revenue from state enterprise under the Tsarist régime. In 1912, for example, the revenue from this source was 330 million rubles more than in 1925–26. In the first instance railways provided most of the profit. Under Bolshevism the revenue from these undertakings only just covered the expenditure incurred on their account. But what is of interest is not so much the kind of enterprise concerned as the fact that state enterprise as a whole was more profitable under the capitalist system than under the socialist system.

Strictly speaking, a socialist society should subsist upon the profits of socialist enterprise. But only a section of soviet society was socialist; and this section, unable to live by its own collective effort, had to be supported by the proceeds of the individual enterprise of the remainder of the population. If it was too early to expect that soviet society should exist upon the earnings of socialism, it was not unreasonable to suppose that at least the soviet state could defray a large part of its expenditure from profits of socialised industry. But, as has been shown, such profits were not forthcoming. Hence the state was compelled unceasingly to expro-

<sup>1</sup> "Les Soviets Devant une Nouvelle Crise Economique," by Count Kokovtsev (formerly Minister of Finance), *Revue des Deux Mondes*, Sept. 15, 1928.

priate private wealth. The chief weapon which it employed for this purpose was taxation. In the budget for 1925-26 taxation provided half the revenue, the major part of which was indirect, and bore therefore particularly hard upon the masses.

The bourgeois were heavily taxed. But they hardly numbered 283,000 persons. Hence their contribution to the revenue from taxation was small, amounting only to 3·8 per cent. of the whole. The maximum yearly income of this class was £1,000 per head, but few earned that sum; the remainder were wretchedly poor. The yearly incomes of the overwhelming majority were well under £300 per head. But all categories, no matter what they earned, had difficulty in making ends meet, for, as a consequence of currency depreciation, incomes were reduced to half their nominal value, and the confiscatory taxation imposed upon the bourgeois reduced what was left by a third and in many instances by a half.

Taxes were levied upon income, trade turnover and excess profits. In view of the exactions imposed upon the bourgeois citizen during his lifetime, it was not to be supposed that he would have anything to bequeath when he died. But the soviet state left nothing to chance. A graduated scale of duties ensured that no heritage should exceed a few hundred pounds.

No capital accumulation therefore was expected from the bourgeois. They were too insignificant in numbers to be of account, and, moreover, it was the policy of the state to despoil them of wealth as fast as they made it. Nor was much hope placed upon the proletariat—that is, the state workers and employés. As a class it was larger than the bourgeoisie, but not large enough to be relied upon for substantial sums. Its contribution to the revenue from taxation was as low as 19 per cent. of the whole.

Only the peasants remained as a possible source of capital accumulation. They constituted 76 per cent. of the population, and their contribution to taxation revenue

was as high as 44 per cent. The Bolsheviks made no concealment of their intention to exploit them. Buharin said: "We shall get the necessary resources for socialist reconstruction from individual households." By this he meant that capital would be secured by taxing the peasants, for it was they who lived in individual households. In particular, the kulaks were penalised. But they constituted only 3.9 per cent. of the peasantry, and despite the excessive taxation which they were required to pay, their contribution was not more than 7 per cent. of the whole revenue yielded from taxation.

It was the middle peasants who bore the largest share of the burden of socialism. They accounted for half of the peasantry, and contributed 31 per cent. of the total revenue derived from taxation.

In reality the economic differences between classes in the village were not wide. The yearly per capita income of peasants considered rich was £24, of middle peasants £11, and of the poor peasants £7. When allowance was made for currency depreciation and taxation, the incomes of the peasantry were in reality considerably lower than the sums stated.

It was contended by the Bolsheviks that on the average taxation was lighter than before the war. Owing to lack of data, it is impossible to say whether or not such an assertion was true. In 1912 annual taxation was 10 rubles 70 kopecks per capita, in 1925-26 it was 11 rubles. But it was claimed that, whereas in 1913 yearly per capita income was 101.35 rubles, in 1925-26 it had risen to 154.4 rubles. If, however, taxation was statistically lighter, it was certainly harder to bear after the revolution. Owing to dissipation of reserves and depreciation of currency, all classes had become much poorer.

## CHAPTER XXXI

### MANIPULATION OF PRICES—FOREIGN TRADE MONOPOLY— ARTIFICIAL RATE OF EXCHANGE—NEED FOR FOREIGN CURRENCIES—COLLAPSE OF THE RUBLE—DWINDLING GOLD RESERVE—COMPULSORY INTERNAL LOANS—THE CREDIT SYSTEM (1921-1926)

PRICE-MANIPULATION, not less than excessive taxation, was a potent weapon for the exploitation of private wealth. The Bolsheviks disputed amongst themselves at different times as to the extent to which it should be applied, but always were compelled to agree that it was imperative, for without it sufficient money could not have been found for the support of state industry, for the maintenance of the colossal bureaucracy, and for financing revolutionary agitation. It was therefore an indispensable condition of soviet survival. As the monopolist of production, the state was able to dominate the market. Often it regulated prices in accordance with the political exigency of the moment and heedless of all economic reality. On some occasions prices were dropped heavily, and state enterprise suffered serious losses, on others they were raised to fantastic limits. Generally speaking, they were maintained on a level much higher than the population could afford to pay.

Price-manipulation in conjunction with the foreign trade monopoly made devastating inroads into the earnings of the population. This monopoly was almost complete. Individuals or groups of individuals could only import and export goods under licence. The number of those who secured licences was extremely small, and all stages of the transactions in which they engaged were rigorously controlled.

The principles upon which the state conducted foreign trade were briefly as follows: soviet organisations abroad purchased goods and sold them to soviet organisations within Russia. These organisations, chiefly through the medium of co-operative societies, then sold the goods to consumers for prices greatly in excess of those originally paid. It was imperative that exports should be increased as much as possible, for the higher their value the larger would be the amount of foreign currencies obtainable.

With these foreign currencies the state could do a number of things. It could accumulate them in the State Bank and issue rubles against them. It could purchase consumable goods abroad and sell them for whatever price it wished in Russia, for it had no competitor to fear. And it could purchase machinery of a kind which could not be manufactured in Russia, and so provide for the expansion of production in the future.

With a view to increasing exports as much as possible and thus procuring large sums in foreign currencies, commodities were sold abroad at prices well below cost of production, and much below prices which could have been obtained in the home market. Many of these commodities were greatly needed by the Russian population.

Yet despite the artificial stimulation of exports, between 1920-21, the year of the New Policy, and 1925-26 exports exceeded imports in value only during two years—1922-23 and 1923-24. After 1923-24 attempts were made to obtain a favourable balance of trade by increasing the export of primary commodities and reducing the import of those commodities required for the daily consumption of the population. But the desired end was not achieved; foreign trade balances remained adverse; and the drain upon the gold reserve continued.

The state of foreign trade was reflected in the movements of gold. It was not, however, reflected in the official foreign exchange rates. One of the chief objects of the currency reforms introduced in 1922 was that the chervonets should achieve equality with the pound and

other stable foreign currencies. By means of bills of exchange it was intended strictly to regulate the issue of bank notes. Later, in 1924 it was decided also to issue treasury notes, but it was prescribed by law that the number of them in circulation should not exceed half the volume of chervontsy in circulation. This restriction was imposed with a view to reducing the danger of inflation to a minimum. But inflation was not avoided. Hence the internal purchasing power of the chervonets depreciated to a marked extent. In 1925-26 its purchasing power, according to the wholesale prices index, was 5 rubles 39 kopecks and, according to the retail prices index, 4 rubles 31 kopecks.

When currency reforms were first introduced Professor Yurovski wrote: "Everywhere, even where trade is free, the adoption of exchange rate to internal purchasing power and of internal purchasing power to exchange rate proceeds gradually. In view of the state monopoly of the export trade and the state control of the valuta market internal purchasing power and exchange rate can long remain independent of one another."

When Professor Yurovski made these observations the divergence between the exchange rate and the internal purchasing power of the chervonets was narrow; subsequently it widened considerably. In 1923 the chervonets achieved parity with the pound sterling; at that time the difference between the official and free rates was small. Later, however, as the internal purchasing power of the chervonets declined this difference became greater.<sup>1</sup> It was evident that one of the chief objects of

<sup>1</sup> "Our willingness to pay a certain price for foreign money must ultimately and essentially be due to the fact that the money possesses a purchasing power as against commodities in that foreign country. On the other hand, when we offer so and so much of our own money we are actually offering a purchasing power as against commodities and services in our own country. Our valuation of a foreign currency in terms of our own, therefore, mainly depends on the relative purchasing power of the two currencies in their respective countries."—*Money and Foreign Exchange after 1914*, by Professor Gustav Cassel, pp. 138-39. Constable & Co.

currency reform, namely, that the chervonets should maintain parity with foreign currencies, was unrealisable. The Bolshevik theory of money management had thus failed to work out in practice.

The extremely low rates of exchange for the chervonets against foreign currencies quoted on the "black" or illegal bourses in Russia and on foreign exchange markets were purely speculative. As a consequence of the offer of increasing quantities of soviet currency abroad the decline of these rates was accelerated. Ultimately, a condition was reached in which foreigners could purchase rubles abroad cheaply, transfer them to Russia, and at low cost to themselves acquire those goods or services the prices of which were fixed by law. A still more serious consequence of the decline in the exchange value of the ruble was the damage which it inflicted upon soviet financial prestige. It was these considerations which compelled the government to make the import and export of rubles practically impossible. Thus the isolation of soviet currency from the international exchanges and from the value of gold was completed. Thenceforth its use as a medium of payment abroad was restricted to small transactions with eastern countries.

The State Bank continued to announce that the rate of exchange for the pound sterling was a little more or a little less than nine rubles, for the dollar one ruble 94½ kopecks. These rates had no basis in reality; they were purely artificial. What object, it may be questioned, did an artificial rate serve? The answer is, that the official rate was convenient for the purposes of book-keeping, and profitable in so far as the state could acquire at a cost fixed by itself stable currencies which foreigners in Soviet Russia desired to exchange for rubles.

There was another aspect to the question. In order that a clear understanding of this aspect may be obtained it is necessary to contrast conditions under the fixed rate of exchange with those which would have prevailed had an unfettered rate existed. If the exchanges had been

allowed free play the difference between the purchasing power of money within and without Soviet Russia would have taken full effect. In that event assuming that the price of an article had risen in Soviet Russia from £1 to £2 and that this article had been exported to a country where no currency depreciation had occurred, it would still have been worth only £1 ; but the Russian importer receiving foreign currency in return would have been able to exchange it in his own country for notes to the value of £2. On the other hand, the Russian purchaser of one pound's worth of foreign goods would have been required to remit double that amount abroad, although, it need hardly be said, the recipient would not have obtained a correspondingly higher price for his merchandise.

But the rate of exchange in Russia was not free ; it was fixed. Foreign trade too was not free ; it was monopolised by the state. Calculating on the basis of the fixed rate of exchange, that is, according to the nominal value of the ruble, the state could afford to sell goods abroad even below cost of production without incurring financial loss, for the foreign currency received was actually worth more in rubles of real value than in rubles of nominal value, that is to say goods could be purchased abroad at the lower world prices and sold profitably within Russia where higher prices prevailed. But frequently the state exported goods at prices so extremely low that even the wide margin between the nominal and real value of the ruble was insufficient to afford compensation for the losses sustained.

The whole financial structure which has been described rested upon the foreign trade monopoly. This monopoly, in conjunction with the official rate of exchange, removed foreign trade from the possibility of being adversely affected by imprudent currency or credit expansion. No one dared to suggest the freeing of foreign trade, though occasionally a modification of the system was timidously urged. Had Government control

been relinquished and the foreign exchanges been left to themselves chaos would have followed, for at once the chervonets would have been exposed to the effects of actual economic conditions and its exchange value would have fallen to insignificance.

Yet, despite the artificial stimulation of exports and the heavy sacrifices demanded of the population, the years when exports exceeded imports in value, when foreign trade paid its way, were few. During most years the balance was on the wrong side. The losses then incurred were transferred to the population, various shifts and devices being invented for the purpose, all of which contributed to bring about high prices. But it was claimed that, on the whole, a definite gain resulted, inasmuch as means were procured for the purchase of machinery abroad and thus for the expansion of production at home. There might perhaps have been something to say for this contention had the Soviet Government been more competent. But of the machinery which it imported much was ill-chosen, and all of it, whether ill-chosen or not, went to equip a system that was fundamentally rotten and hopelessly insolvent. The peasants were forced to give up the tangible fruits of their labour for a meagre return, and an intangible promise of a larger reward in the future. The years went by, and the government failed to redeem its pledge. More goods were produced as a consequence of the imported machinery, but at a rate slower than the populations' growth. At the same time more goods were exported. Hence manufactured commodities within Russia continued to be scarce and dear ; the purchasing power of the ruble fell ; and the peasants no sooner received a little money than they hastened to spend it, reasoning quite rightly that any article, no matter how useless, was preferable to paper currency, the value of which was diminishing. It was their custom to visit the nearest town, and enter the first shop that attracted their notice, pointing at random to different commodities and saying in a casual tone,

"I'll have this!" or "I'll have that!" Often their decision was made at the instant of sighting a package, a bottle, or even a label that appealed to their eye, and usually they were wholly indifferent as to the nature of the article which was handed to them. All that they cared for was that they should get rid of their money as quickly as possible and receive something novel in return for it.

The isolation of Russia and Russians was an unavoidable consequence of Bolshevik economics. Soviet citizens who were fortunate enough to get permission to go abroad were struck with the abundance of the west compared with the scarcity of their own country. Women trembled from excitement when for the first time they beheld the colour and display of foreign shops. Some of them even arose at dawn to do shopping in London and Paris, because they imagined that stocks would be scanty and that they would have to repeat the experience which they had undergone in Russia, and wait long, weary hours in queues. Many insisted upon making large purchases at once, because they feared that the articles which they needed would soon be sold out. They could not be persuaded that conditions outside Russia were altogether different from those prevailing within Russia.

Comparatively few citizens were allowed to proceed abroad; and a condition was imposed that they should bring back only the barest necessities. It was considered that contact with the west had a demoralising effect. At the same time the government was anxious that evidences of western plenitude should not reach Russia. The younger generation had never known any other Russia than Soviet Russia, any other system than the soviet system. Russian workers sincerely thought that privations were worse abroad than in Russia. And soviet rulers understood well that this illusion had a practical value for themselves, and were determined that it should be kept up.

Two methods adopted by the soviet régime for the exploitation of private wealth, excessive taxation and price manipulation, have been examined. A third method employed was internal borrowing. At the end of the financial year 1925-26, the internal debt of the soviet state amounted to 626 million rubles (nominally £62,600,000). At the XIII Communist Congress in 1924, Zinoviev mentioned that the external debt which had been repudiated totalled 25 milliard gold rubles (£2,500,000,000), inclusive of sums owing for property nationalised. Thus the country had been relieved of colossal indebtedness. Nevertheless, it remained poorer than ever.

Borrowing was flagrantly in conflict with Bolshevik principles. Under normal circumstances it would have stimulated a quick growth of capitalism, and afforded evidence of national credit. Under Bolshevism it did neither. Whenever the Bolsheviks appropriated a feature of the capitalist system, they subjected it to the peculiar conditions of their own régime. Loans were no exception to this rule. Most of them were not loans in the true sense of the word, but compulsory levies on the population; and, being widely dispersed and of short duration, brought little gain. An official intimation of the sum needed was sent to each village, and it was left to the local authorities to see that the contribution was forthcoming at the proper moment. In the towns the workers of each factory, institution and department determined collectively the amount of the subscription, and deductions from wages sufficient to make up this sum automatically followed. State enterprises were also compelled to divert part of their reserve funds to the loans. Thus socialism survived by devouring its own wealth as well as that of the individual. Loans other than those described were of a lottery character. The Bolsheviks had no objection to making capital out of the gambling instincts of the peasants. Finally, it should be emphasised that all the loans were of short duration. Although

upheld by pressure, the credit of the state was not such as to withstand prolonged strain.

With the discussion on loans the examination of the means by which the state exploited private wealth is completed. The question now arises: to what extent were the people's savings placed at the disposal of the state? The answer is: to no great extent. At the end of the year 1925-26 people's savings in the banks provided for the purpose amounted only to 90 million rubles (£9,000,000) or but 6 per cent. of corresponding deposits in pre-war times. The contribution of the peasantry was only 3 per cent., compared with 28 per cent. in 1916. The Commissar of Finance commented: "The state needs the savings of the people for working capital, but these savings can only be attracted by creating an atmosphere of confidence amongst workers and peasants." It was strange that proletarians lacked confidence in the proletarian state.

The last resort of the Bolsheviks was the gold reserve, the real amount of which was probably not disclosed. In 1913, the year preceding the war, the gold reserve of the Russian State Bank amounted to 1,555 million rubles (£155,500,000), against which there was a note issue of 1,495 million rubles. In other words, the notes of the old régime were fully covered by gold. During the war, up to the period of the Bolshevik Revolution, the gold reserve dwindled to 1,292 million rubles (£129,200,000), of which 464 million rubles (£46,400,000) was transferred to the Allies. How much gold the Bolsheviks inherited is not clear. During the Civil War gold bricks worth about  $657\frac{1}{2}$  million rubles and other valuables, including platinum, silver and paper securities, worth about 500 million rubles, deposited at Kazan, fell into the hands of the Czecho-Slovakians. A part of this treasure was recaptured by the Bolsheviks. According to the returns of the State Bank, the gold reserve in October 1926 amounted to 253 million rubles (£25,300,000), against which notes to the value of 1,180

million had then been issued. In seventeen years, therefore, owing to various causes, the known gold reserve had diminished at least sevenfold.

The actual financing of industry was accomplished chiefly by means of credit, the supply of which was a monopoly of the state; the central institution for this purpose was the State Bank. In a sense Lenin's vision that the state should be "a bank of banks" had been realised. In reality the State Bank was not a banker's bank. Its primary function was the furnishing of long-term and short-term credits to state enterprise, including foreign trade. The bulk of its business consisted of discounting short-term bills which formed part of the cover for bank-notes.

The chief resources of the bank were as follows:—emission of banknotes or chervontsy; notes transferred from treasury issues; deposits by the government and by state industrial and trading enterprises. The condition under which emission of banknotes took place has already been explained.<sup>1</sup>

When treasury notes were first issued in 1924 it was stipulated that the number in circulation must not be in excess of half the volume of chervontsy in circulation. Later it was decreed that in certain instances this proportion could be increased to three-quarters. Deposits with the bank by state enterprise were described as allocations from profits and from extension and amortisation funds. Sums were yearly set aside as profit, but this practice was misleading, for, taken as a whole, socialised enterprises gave less to the state than they received from it. From time to time other banks were established—banks for industry and trade, for foreign trade, for electrification, for municipal, housing, agricultural and co-operative purposes. The demand for credits far exceeded their supply. The creation of the Bank for Trade and Industry at the instance of industry was itself an attempt to relieve the situation. But the institution could achieve little. Its

<sup>1</sup> See Chapter XXV.

resources were restricted to the spare funds of the trusts, and the scope of its operations was therefore narrow. The industrialists insistently complained that the policy of the State Bank was too conservative. They desired that the financing of industry should be taken out of the hands of the State Bank and given over to them. For this point of view they found some support in political quarters.

Banking facilities developed, but always remained under the auspices of the State Bank, which retained and even strengthened its command of the situation, and continued as before to supply the major portion of the credits to industry. Yet, although between October 1923 and 1926 its loans and discounts increased four-fold, it satisfied only half the demands made upon it, and whatever justification there may have been for the accusation of conservatism levelled against it a little while before, its later policy certainly erred on the side of liberality, for at the end of 1925 a crisis of inflation occurred. The fund available for the financing of state industry may have been miserably inadequate; but state industry was incapable of using it to advantage. By various stratagems and through various channels wealth was made to flow into the state banking system, but of such wealth the only fairly capacious source was private (or peasant) enterprise. Methods of extraction, both brutal and subtle, were applied; the earnings of the population were taken away either by force or by favouritism. If one section of the population was the victim of expropriation, another was induced by granting of privileges to place its surplus means at the disposal of the state.

From the common pool which resulted the state, through its banking system, distributed funds to socialised enterprise. In theory the consequence should have been efficiency and co-ordination. In reality development was lop-sided and uneconomic. The needs of the population for articles of everyday consumption were subordinated to the megalomania of soviet rulers, who willingly sacrificed the present generation in their desire

to create a powerful state. One branch of economy shamelessly exploited another ; the banks took toll of industry ; industry got heavily indebted to the banks ; and both drew largely upon the resources of the state, which in turn secured these resources by means of its elaborate mechanism for expropriating private wealth. It could not be said that in return for this circumlocutory system of confiscation there was nothing to show. An imposing structure of industrialisation was appearing on the horizon. But the more it grew, the more money it devoured, and the poorer and hungrier became the population.

The various sources of which the Bolsheviks made use in order to finance themselves in different ways and at different times having been described, the question remains to be answered : to what extent had capital accumulation taken place ? Soviet economists placed the capital accumulated during the financial year 1925-26 at 2,527 million pre-war rubles (£252,700,000). This total was about 1,000 million rubles (£100,000,000) in excess of the capital accumulated in 1913. Such facts were cited as convincing evidence of rapid recovery. Impressive though they seemed on the surface, they were in reality misleading. Of the sum accumulated during 1925-26 only a small proportion consisted of savings voluntarily surrendered ; most of it represented contributions wrung out of the population. Much of the wealth thus appropriated was transformed into factories and equipment. But, as has been demonstrated, the more nationalised industry expanded, the larger grew its deficit, and the scarcer became goods of common consumption.

## CHAPTER XXXII

GROUPING OF THE POPULATION—INCOMES OF VARIOUS CATEGORIES—ELIMINATION OF RICHES—GENERAL POVERTY—INEQUALITY ON LOW LEVELS—THE STATE AT WAR WITH THE INDIVIDUAL (1926–27).

WHAT was the effect of soviet rule upon the composition and welfare of the various classes of the community? How was wealth re-distributed? Who gained? Who lost? These specific questions concern life's realities, by which all economic systems must be judged. The data which I shall here present are based upon official sources of information, chiefly the reports of the Central Statistical Department,<sup>1</sup> the highest institution of its kind in the country, and one as free from party domination as any establishment in Russia can be.

Division of society into aristocratic, middle and lower classes was no longer recognised. For statistical convenience the Bolsheviks grouped the population into two sections: (1) agricultural, (2) non-agricultural.

The agricultural section was roughly sub-divided as follows: poor, middle and rich. In former times this order would have been reversed: the rich would have come first, the poor last.

The non-agricultural section was roughly sub-divided as follows: (1) proletariat, consisting of both manual and non-manual employés, which included government officials; (2) non-proletarian workers, comprising members of free professions, as, for example, doctors, journalists and artists, also handicraftsmen, petty tradespeople, and landlords and all others who employed no labour;

<sup>1</sup> *Statisticheski Spravochnik, S.S.S.R., 1926.*

(3) small semi-capitalists, consisting of petty landlords and handicraftsmen who employed a worker or two, and also tradesmen with stipulated incomes who did not employ labour; (4) the bourgeoisie, sub-divided again into small, medium and large capitalists, and comprising industrialists, tradesmen, commission agents and speculators, all of whom were employers of labour.

It was assumed by the Bolsheviks that the majority in the following categories were favourably inclined towards the revolution: poor and middle peasants; proletariat; non-proletarian workers; and small semi-capitalists; and that the rock upon which the revolution was built was the proletariat. Both assumptions were open to question. The only categories whose support for the revolution was assured were the poor peasants and the manual workers.

An examination of the statistical data relating to the foregoing classification yielded interesting results. In 1926-27 the total population of the country was 148,069,000, divided as follows: agricultural, 112,723,000, or 76.1 per cent.; non-agricultural, 35,346,000, or 23.9 per cent. of the total. It was taken for granted that only two categories within these groups had economic interests irreconcilable with the revolution—namely, well-off peasants (or kulaks), numbering 5,859,000, and bourgeoisie, 284,000. If wives, children and dependants were excluded from these calculations, and active members or breadwinners alone considered, then the two totals shrank to 228,000 and 75,000 respectively.

No reliable statistics existed as to the strength of the bourgeoisie before the revolution. In numbers it was much smaller than the bourgeoisie of other leading countries, a circumstance that accounted for the ease with which the Bolsheviks seized power. Petty bourgeois were in the majority, and many of them later went over to the side of the Bolsheviks. Of the remainder—that is, the section corresponding to a solid middle class—roughly about 2½ millions could be accounted for; 2 millions

emigrated abroad ; and of those who remained in Russia a quarter of a million figured in Bolshevik statistics. But the number of bourgeois destroyed by the revolution was certainly greater than the number which survived it. The true total of the latter is unknown. Because Bolshevik statistics were formulated upon a narrow economic definition, they were far from complete. Yet had it not been for this limiting factor, even approximate data would have been unprocurable.

Many individuals simulated proletarian origin that they might escape death or persecution. Many others entered the Bolshevik service. Some of these played a discreditable rôle ; the foreign department of the G.P.U. was staffed with ex-bourgeois. No census of the new bourgeoisie was attempted ; its growth troubled the Bolsheviks, but the subject was one which they did not care to talk about.

Out of the quarter of a million officially-registered bourgeois, many led lives of severe hardship, literally not knowing where the next bite of food was to come from. When I was in Russia people frequently said to me : "I am dead," or "I have been dying for several years." In other circumstances such expressions might have been regarded as characteristic of Slav morbidity ; in revolutionary Russia they were not out of place, for the Bolsheviks made no secret of their wish to exterminate the bourgeoisie ; and the bourgeoisie knew well that it was condemned.

As has been said, the basis of Bolshevik classification was narrowly economic. The assumption was that all those who employed labour were bourgeois, and, as such, enemies of the revolution, whilst all those who did not employ labour were non-bourgeois, and, as such, were actual or potential supporters of the revolution. But an exception was made of middle peasants, of petty landlords and tradesmen, and of handicraftsmen. It was considered that no member of any of these categories would employ labour to a serious extent.

Computation afforded the Bolsheviks the consolation that the enemies of the revolution were few, its friends many. The former, composed of kulaks and bourgeoisie, totalled 6 millions out of a population of nearly 150 millions. It was lightly supposed that all but the well-off peasants inclined to the revolution, that the non-manual wage-earners of all grades were proletarians, and that although members of free professions, handicraftsmen and petty tradesmen and landlords, were non-proletarian, their economic interests bound them to the revolution. Thus the bourgeoisie was reduced to insignificant proportions.

The Bolshevik estimate of the supporters of the revolution by no means corresponded with actuality. As mentioned previously, the manual-worker section was the only part of the proletariat which was avowedly inclined to the revolution. This section (families included) comprised 12 millions. Large numbers of other categories were, no doubt, not ill-disposed towards Bolshevism, but the overwhelming majority of the population was neutral. That the bourgeoisie as an economic entity had shrunk to negligible proportions there could be no doubt. This shrinkage was the consequence of massacre and expropriation.

Between 1922-23 and 1927-28, national income (at prices current in each year) increased from 7 to 25 milliard rubles. In the United States, the country which, according to Stalin, Soviet Russia was rapidly overtaking, the corresponding figure for 1928 was 180 milliard rubles. According to Marxian theory, trade is non-productive; hence it was excluded from all Russian calculations in connection with the national income. These calculations were concerned solely with values created in material goods. Of the national income, half was derived from agriculture, one-third from industry. In the United States industry accounted for more than a half, and agriculture for one-fifth, of the national income.

The per capita income in Russia in 1913 was 101.35 rubles. In 1926-27 the corresponding figure was 161.4

rubles (nominally about £16); or nearly a twelfth of that of the per capita income of the population of the United States in 1928. It must be borne in mind that the internal purchasing power of the ruble had depreciated to a much greater extent than that of the dollar. The per capita income of the Russian population in 1926-27 was equal to 93 pre-war rubles. Of the 38 million individuals who participated in this income, 36,989,000 were considered to be non-bourgeois. The maximum yearly income of each individual in this section was equivalent to 1,811 pre-war rubles (£181), but only 114,000 persons earned that amount. Thirty-three million persons earned under, and, in most instances, well under, a third of it.

Of the 75,000 bourgeois who formed part of the remainder of the 38 million income-earners none received a yearly income in excess of 5,742 pre-war rubles (£574), but the average yearly income in this class was only equivalent to 2,809 pre-war rubles (£280), whilst in 45,000 instances an income less than 2,258 rubles (£225) was earned.

In 1926-27, calculated in pre-war rubles, the average yearly incomes per capita in the chief groups of the class designated "proletarian" were as follows: manual worker, 465 rubles (£46); employé, 549 rubles (£54); member of a free profession, 476 rubles (£47); unemployed person, 280 rubles (£28); small semi-capitalists, 769 rubles (£76). A manual worker received a quarter, and an employé one-seventh of the wages of the corresponding classes in the United States.

The average yearly incomes per capita in the chief groups of the peasantry for the same period, calculated in pre-war rubles, were as follows: well-off (kulaks), 846 rubles (£84); middle, 372 rubles (£37); poor, 190 rubles (£19); labourers, 100 rubles (£10).

With taxation of all kinds deducted and calculated in pre-war rubles, the average yearly incomes of the foregoing categories were as follows: manual worker, 401 rubles (£40); employé, 488 rubles (£48); member of

a free profession, 391 rubles (£39); small semi-capitalist, 604 rubles (£60); rich peasant, 708 rubles (£70); middle peasant, 338 rubles (£33); poor peasant, 179 rubles (£17).

Taking per capita income—that is, the sum available not merely for the earner, but also for each person dependent upon him—deducting proportionate taxation of all kinds, and calculating in pre-war rubles, then the following figures were derived: manual worker, 163 rubles (£16); employé, 204 rubles (£20); member of a free profession, 196 rubles (£19); small semi-capitalist, 293 rubles (£29); rich peasant, 119 rubles (£11); middle peasant, 60 rubles (£6); and poor, 43 rubles (£4).

For taxation the worker was required to sacrifice one-eighth of his income, the employé a little less than one-ninth, the professional man about one-sixth, the small semi-capitalist a little less than one-fifth, the well-off peasant one-sixth, the middle peasant a little less than one-eleventh, the poor peasant one-eighteenth.

These figures are approximate. Frequently local authorities arbitrarily imposed taxation on their own initiative. Their purpose in so doing was to extinguish individual enterprise rather than to raise revenue. A large section of the poor peasants was exempted altogether from the payment of taxation.

The statistics cited covered fully 140 millions out of a population of 150 millions. They showed that Soviet Russia was a country of small wage-earners, producers and traders whose incomes had been brought down to a common low level. Of these three groups, individual producers were the largest in number, a circumstance due to the predominance of the peasantry. If all but a few employed no labour, it was not because they considered that it would be immoral to do so: it was because they were too poor to maintain anyone but themselves and the members of their own family. The Bolsheviks calculated upon their poverty, not upon their principles, when they thought that their conversion to socialism was possible.

In Soviet Russia, it may be mentioned, only 13 per cent. of the population was composed of wage-earners. The corresponding proportion in the United States was 55 per cent.

It should be understood that the foregoing statistics applied to comprehensive categories. Within these categories variations of income existed. Wages differed according to occupation and as widely as in pre-revolutionary days; highly-skilled workers continued to form a plutocracy of labour. Well-qualified specialists made as much as £10 weekly, and sometimes more. Generally speaking, the tendency was to bring down the remuneration of mental labour to the level paid for manual labour. A commissar of the highest rank received £5 weekly, and a liberal allowance for expenses. In addition, he was provided with living accommodation, motor-car and servants, and whenever he was disposed to visit a theatre a box was assigned to him. Professors earned from £2 to £3 weekly, teachers in secondary schools 15s. weekly. That inequality should be perpetuated after the revolution was foreseen by Lenin. In "State and Revolution" he said that socialism, the first phase of communism, would not abolish "the shortcomings of distribution and the inequalities of 'bourgeois justice.'"

In pre-war rubles, the average yearly income per capita in the bourgeois class in 1926-27 was 2,809 rubles (£280); or, with taxation deducted, 1,462 rubles (£146). The richest men in this class, and indeed in the whole of Russia, were speculators and commission agents. They earned yearly 5,742 pre-war rubles (£574) per capita, or, after payment of taxation, 5,384 rubles (£538). Considering the nature of their occupation, they were lightly taxed. But the state relied upon other and more effective methods for keeping their numbers down. Always the speculator and commission agent were exposed to the peril of arrest. At no time were more than a few thousand permitted to remain at large. Many were in gaol or in exile, and periodically many also were shot.

Next to speculators, the individual owners of small industrial undertakings formed the wealthier section of the community. They could not employ more than seventy workers, and their average yearly income was 5,371 pre-war rubles (£537) per capita, or with taxation deducted, 2,647 rubles (£264). It must not be forgotten that in addition to higher taxation the bourgeoisie were required to pay higher rentals than the rest of the community.

From the statistics just quoted certain irrefutable conclusions follow. Stalin had made but little compromise. He had reversed Lenin's New Economic Policy introduced in 1921 as an alternative to War Communism. This fact was not understood outside Russia, where the mistaken belief prevailed that even more than Lenin, Stalin was inclined to compromise with capitalism.

As a serious entity the bourgeoisie no longer existed. From end to end of Soviet Russia a rich man could not be found. Nor was it possible to amass wealth in Russia, for as fast as it accumulated it was seized upon and dissipated by the rapacious state. The whole population, with but one exception, had been brought down to the poverty line. The one exception was the speculator, and he was under the constant threat of physical extermination. The rule of Bolshevism was that any section might sink below but none must rise much above the others. If improvement were to come, then it would have to be improvement for all; if it never were to come, then all must suffer in poverty together.

Whilst it was true that differences of income were wider in the West than in Soviet Russia, it was also true that equality was not to be found in Soviet Russia. The Bolshevik revolution caused a subsidence of the whole economic landscape, as a result of which peaks were lowered more than valleys were deepened; but irregularity of contour remained, and, as before, those who lived below envied those who lived above. In particular, inequality as between rural and town

workers was noticeable. The gap between these two classes was wider in socialist Russia than in capitalist America.

In Russia, as elsewhere, riches grew in proportion to size of income. The bourgeoisie and well-off peasants were few; their earnings increased faster than did those of the rest of the community. Farther down the scale, amongst the proletariat, the income of the manual workers increased the most. This increase reflected the favouritism of the government towards a class upon which its power depended, and was certainly not justified by the poor economic condition of state industry.

Even when allowance was made for currency depreciation, the earnings of many peasants and workers were not lower than before the war. But the exchangeability of such earnings was narrower than before. For so uneven and irregular was soviet production that commodities of first necessity were often un procurable at any price; and more often, when procurable, were of miserable quality. In Russia money did not command the ordinary decencies of life, for the reason that the elements of which these were composed had been destroyed. Had Rockefeller been permitted to reside there with full liberty to draw upon his banking account, he would have been able to command luxuries which were beyond the reach of the ordinary soviet citizen, but at the same time he would have been forced to live amidst squalor and go short of many simple needs.

The aim of the revolution being collectivist and equalitarian, and catastrophe having created a low economic level, elaborate precautions had to be taken to ensure that as few as possible should be allowed to raise themselves above their fellow-men. For the achievement of this purpose it was necessary that the authorities should know the most intimate details of each citizen's life. Informers abounded; the socialist state was in the literal meaning of the term a police state. The government was ceaselessly warring with the

individual. In 1926 official statistics recorded 167,206 offences against property and 312,590 offences administrative in character. Of the last-mentioned, citizens were adjudged guilty who had taken the law into their own hands, and who had evaded taxes, committed breaches of labour or industrial regulations, or engaged in illegal distilling. In addition 46,376 offences vaguely described as "official" and 1,037 as "state offences" were registered. Convictions for murder numbered 10,112, for assault 61,131, and for hooliganism 73,268. Of the total convictions recorded between 1923 and 1927, for offences against the individual, those of males increased from 12 to 33 per cent., of females from 9 to 30 per cent.

## CHAPTER XXXIII

THE GREAT SCHISM IN THE COMMUNIST PARTY—THE  
EMERGENCE OF AN OPPOSITION—WAS THE REVOLU-  
TION REVERTING TO CAPITALISM?—THE MENACE OF  
PRIVATE ENTERPRISE (1926–27).

ECONOMIC perplexities led to acute controversy amongst the Bolsheviks in 1926 and 1927. During the first-mentioned year Stalin strengthened his position in the Communist Party. It was largely due to his insistence that concessions were made to the village. Of these concessions the chief was a reversion to the hiring of land and labour. At that time the countryside was in chaos. There was insufficiency of land for the growing population. By various devices many well-to-do peasants had managed to get hold of the land of their poorer neighbours. In some instances they employed the men whom they dispossessed, but under conditions reminiscent of serfdom. Generally speaking, the number of landless peasants was large and constantly growing. Thousands of them roamed the countryside and migrated to the towns. Life became nomadic. When in Russia, I met columns of families on the tramp. Many individuals were suffering from hideous diseases.

Soviet law provided that land should be found for all engaged in agriculture. It also forbade the exploitation of the poor. But the law was largely inoperative. The concessions made to the village, therefore, were no more than a recognition of actual conditions. Reasons other than those enumerated also influenced Stalin. There was much unrest throughout the countryside; uprisings had occurred. Communists were frequently murdered.

It was becoming increasingly difficult for the state to collect grain.

As soon as the policy of conciliation was announced, opposition manifested itself, the leaders being Kamenev, Zinoviev and Krupskaya. This opposition argued that, inasmuch as the concessions permitted of the hiring of land and labour on the lowest possible terms, they were exclusively in the interests of the kulak class. It failed to realise that at the same time the destitute would be afforded opportunities for employment hitherto denied them.

During the controversy an episode occurred that strikingly revealed the dilemma into which the revolution had drifted. Buharin, who supported Stalin, enjoined the peasants to enrich themselves. This slogan could have no meaning other than that they should strive to become individually wealthy. The opposition said that Buharin's advice could appeal only to kulaks, whilst the remainder, whose sole preoccupation was to keep themselves alive, would think that he was sneering at them. Whereupon Buharin retorted that as the kulaks were the smallest, and the middle peasants the largest category in the village, the latter stood to gain the most were his counsel followed. Also he reminded his audience of Lenin's saying that the middle peasants were the backbone of the revolution. Such an attitude was strange on the part of one having authority, for if the middle peasants, following his advice, should become rich, they would be transformed into kulaks hostile to socialism and the revolution. Even Stalin was obliged to disown Buharin, and the official Press made haste to add: "The slogan 'Enrich yourselves!' is not our slogan; it is incorrect; it arouses misgiving and misunderstandings. Our slogan is, 'socialist accumulation.' We are removing administrative obstacles to the improvement of agriculture. Undoubtedly this facilitates the accumulation of both socialist and individualist capital, but the party has never proclaimed individualist accumulation as its slogan."

Many prominent members of the party grew weary because the world revolution was slow in coming. Doubts were felt as to the true nature of the New Policy. Although Lenin had originally said that it was almost socialism, some considered that in reality it was capitalism, or was tending towards capitalism. Others, again, insisted that it was state capitalism, not socialism. Zinoviev, for example, remarked that it was merely the path to socialism, and that the workers should be told so and not deceived. Krupskaya exclaimed : "In essence the New Policy is capitalism, capitalism held in restraint by the proletarian state." But of the various interpretations forthcoming the frankest was that of Sokolnikov, who declared that all state enterprises, including the State Bank, were capitalist undertakings, adding also that the monetary system was permeated throughout with capitalist principle.

Stalin answered that in 1921, when industry was in collapse and the New Policy was introduced, Lenin had in mind state capitalism, by which he meant the employment of foreign capital in the form of concessions and leases controlled by the proletarian state, and that he had then seen no other way of restoring industry, of satisfying the demands of the village for manufactured commodities, and of preserving the link between the peasants and workers. This was an entirely new version of the motives which had actuated Lenin, and it occasioned much surprise. Most of his nearest colleagues, whatever they now thought of the system that had evolved from the New Policy, believed that in its entirety it was state capitalism. But Stalin drew a sharp distinction between socialised industry and state capitalism in the form of concessions and leases. Whereas the first, he said, had become predominant, the second had made little headway, a circumstance that Lenin did not foresee, nor could have foreseen.

While saying that the New Policy was state capitalism, the opposition also argued that co-operation was capital-

ism; and quoted a statement made by Lenin in 1921 in support of this view. Stalin replied with a later statement by Lenin that in the conditions then existing co-operative enterprises did not differ from socialist enterprises. He claimed that co-operation had become powerful in the village, a fact which Lenin recognised, and that since socialised industry too had prospered, a link between peasantry and proletariat had been forged without the aid of foreign capital. Hence, because they had said that co-operation was identical with capitalism, the opposition were accused of under-estimating the revolutionary worth of the peasantry, and a demagogical attempt was made to expose them before the people as traitors to Bolshevism.

It was not strange that the disputants should have found passages in Lenin's works that upheld their conflicting points of view; but it was strange that after five years of the New Policy they could not clearly define its purpose and character.

At this period the question was revived whether socialism could be realised in Russia alone—in other words, achieved without a socialist revolution in one or more of the leading countries of the west. The issue was of first importance; for should Russia, in isolation, prove herself incapable of constructing socialism, then the revolution would perish.

Doubt as to whether Russia could become socialised without external aid was not new. It had been raised during the tempestuous hours of the Bolshevik revolution in 1917, and again in 1924, when Trotski was accused of still adhering to the belief which he had once formed that the revolution would unceasingly conflict with the peasantry, and that unless therefore it spread to other nations, it was doomed.

In 1925 Zinoviev declared that, whilst an isolated nation could construct socialism, it could not create a socialist society, by which he meant a classless society.

Stalin held this view to be apostasy. He insisted that,

alone and unaided, Soviet Russia could achieve full socialism, but he added that freedom from intervention could be ensured only by proletarian revolutions in other countries. Each disputant cited Lenin in support of his contention. Impartially considered, either citation was relevant.

By 1926 the various groups of critics within the party had achieved a measure of unity, and something that might be called a serious opposition emerged, the leaders being Trotski, Zinoviev, Kamenev, Radek, Rakovski, Piatakov and Preobrajenski. On the one side were Stalin, Buharin, Rykov and their supporters, declaring that Russia could realise socialism without assistance from the outside world; on the other, the opposition insisting that unless external aid was forthcoming the revolution would *ultimately* collapse. Conflicting attitudes led to conflicting policies. As a consequence of his conviction that the revolution could survive in isolation provided no external aggression were directed against it, Stalin urged that Soviet Russia should proceed in her own way and in her own time to build up socialism, but that she must also put herself in a state of preparation for war. Such a view implied faith in Russia's resources; to that extent it appealed, not merely to the patriotism of the revolutionary, but also to that of the Russian whether he was a revolutionary or not. On the other hand, as a consequence of its belief that the revolution could not survive in isolation, the opposition held that the Communist Party should increase its efforts to bring about world revolution; that, without compromising its principles, Soviet Russia should make all possible links with foreign capitalism so as to use it for her own ends; and that the building up of socialism within Russia should be hastened, so that the rest of the world might have an example of successful revolutionary achievement in one country, even though such an achievement could not endure without outside support.

In detail the criticism of 1926 was fundamentally the

same as that of 1924. But, whereas in 1924 it was confined to individuals or small groups, in 1926 it was the thesis of a numerous opposition. Again, it was said that the new bourgeoisie, composed of kulaks, nepmean and bureaucrats, had become formidable. Official calculations of its numbers did not bear out this assertion. But the answer was made that the calculations afforded insufficient data for passing judgment. Quoting Lenin's remark that a machine did not always go whither the steersman thought he was guiding it, the opposition asserted that the new bourgeoisie had diverted the soviet machine away from the workers' interests, and that one day it would be found that it had seized the helm.

The sum total of the indictment was as follows: class inequalities are reappearing in the country, private capitalists are multiplying in the towns. Hence a new bourgeoisie has not only formed, but dares to develop political consciousness. It establishes links with the western bourgeoisie, weaves itself into the economic fabric, and demoralises communists by coming into contact with them in social and business affairs.

What evidence had the opposition that the bourgeoisie had become a serious factor? Suspicion influenced it to some extent. But this suspicion was not groundless. Rightly it was said that a country whose population consisted predominantly of small-holders favoured the primitive accumulation of capital. The statement was confidently made that such accumulation was taking place in hidden and fragmentary forms. Hence the foundations of the proletarian state were being undermined, and one day the consequences would be startling and catastrophic. Lenin was quoted as having declared that more than once in history the rich peasants had overthrown republics and restored monarchies, and again that, "while we continue to be a small peasant country, the base is more solid for capitalism than for communism."

Evidence was then produced to show that the Stalin régime was not sufficiently severe upon the kulak. It was pointed out that, whereas the poor peasant constituted 34 per cent. and the rich only 7.5 per cent. of the whole peasantry, both received an equal proportion of the national income—namely, 18 per cent.—and paid an equal proportion of agricultural taxation—namely, 20 per cent. It was also asserted that the income of the kulak was increasing more rapidly than that of the worker.

Emphasis was laid upon the fact that the disparity between agricultural and industrial prices had increased of late. It was mentioned that, whereas for their produce the peasants received only one and a quarter, for manufactured commodities they were required to pay two and one-fifth as much as in pre-war times. Thus it was calculated that the peasants paid yearly a milliard rubles more than they need have done had industrial and agricultural prices approximated. Such a burden, it was claimed, fell chiefly upon the poor peasants; consequently, it intensified class differentiation.

Next, evidence was produced to show that private enterprise, not only in the villages but in the towns, was a menace to the soviet state. It was asserted that half the retail trade was still in the hands of the private merchant, that between them private industry and handicraft industry produced a fifth of the whole output of manufactured goods, and that the producers of the latter were being exploited in various ways, concealed and open, by individual merchants. Comment was made upon the wide gap between wholesale and retail prices. Such a gap, it was observed, facilitated the growth of private capital. The consumer paid more for his goods than was legitimate; socialised industry, which produced these goods and sold them wholesale, received less than was legitimate; and, finally, the individual retailer charged for them far more than was legitimate.

Those who composed the new bourgeoisie, it was declared, spoke the language of Bolshevism, but with wholly

different meaning. They wished the peasants to be well off, not as socialists, but as individualists, and that the soviet state should subordinate all its activities to that end. They wished the speed of industrial development to be moderated, not in the interests of socialism, but in those of the well-off peasants. They wished the productivity of labour to be raised, not by intelligent organisation, but by the exertion of the worker to the last limit of his strength. They wished for a lowering of prices, meaning all the while that socialist enterprise should content itself with less in order that private enterprise might gain more. They wished to struggle against bureaucracy, not because it retarded socialism, but because it retarded capitalism; for they saw in such a struggle a method of disorganising state industry, of bringing about relaxation of socialist planning, and of diverting large resources from heavy industry to the creation of a prosperous peasantry.

Lenin had always urged that Bolshevism must zig-zag in order to survive in a hostile world. Stalin was accused of distorting this counsel, of taking short zig-zags to the left, deep zig-zags to the right, thus preparing the way for the triumph of the new bourgeoisie. Announcing its policy, the opposition took its stand upon the following words of Lenin :

“ We shall consider the victory of socialism over capitalism, and its permanence, guaranteed only when the proletarian state power, having finally suppressed the resistance of the exploiters and assured itself of their complete subjection, reorganises the whole industrial system on the basis of large-scale collective production and the newest technique, with electrification throughout. Only then will it be possible for the cities to render such radical, technical and social assistance to the backward country as will create a material basis for an immense increase of agricultural productivity, impelling the small landed proprietors by the strength of example and for their own interest to pass over to large-scale collective mechanised cultivation. ”

## CHAPTER XXXIV

### THE OPPOSITION ACCUSES THE GOVERNMENT OF NEGLECTING THE WORKERS' INTERESTS—EXPLOITATION OF FEMALE LABOUR—GROWTH OF UNEMPLOYMENT—HIGH RATE OF ACCIDENTS IN FACTORIES (1926–27).

RAPID realisation of the programme briefly sketched in the preceding chapter—in other words, intensive industrialisation—was demanded by the opposition. It pointed out that production had hitherto proceeded very slowly, and that consequently the economic situation was appalling. This statement was of peculiar interest, for the reason that it came not from those who were strangers to the system, but from a section of the Communist Party itself. By way of proof a wealth of data was presented. Stalin and his associates answered at length, and in the course of the controversy light was cast upon the condition of the country. In the following pages both points of view are set forth exhaustively so that the reader may judge between them. It may be added that even the case for the government does not reveal the achievement of the régime in a very favourable light.

The soviet state was a proletarian state. Should it fail to benefit the proletariat, then it failed completely. The opposition began its detailed criticism with an examination of the workers' lot, which, it said frankly, was wretched. Marx held that profit was surplus value created by the proletariat. Theoretically, under socialism surplus value should be expended upon the welfare of the workers. But in the soviet state, the opposition pointed out, it was largely swallowed up by the bureaucracy. Having ceased to create profits for the

capitalist, the workers were creating salaries for officials. Could it be said that in other respects their condition had improved?

Pointing to the fact that the average real monthly wage throughout Russia in the third quarter of 1926-27 was 31 rubles 26 kopecks (about £3), the opposition declared that it had shown no increase since 1925. The government argued that such figures were incorrect, that the average real monthly wage had persistently risen, that in the third quarter of 1926-27 it stood at 32 rubles 9 kopecks (about £3 4s.)—that is, almost at pre-war level. Each side quoted official authority for its statement. Whichever was right mattered little; for the margin between the two figures cited was not considerable, and neither figure expressed lavishness.

The opposition contended that, contrary to the principles of socialism, the raising of wages in Soviet Russia was dependent upon the intensification of labour regardless of improvement in its conditions. In reply the government published an unconvincing table covering three and a half years from 1924 to 1927. In 1924 and 1926 the increase in productivity greatly exceeded the increase in wages. In 1925 the relationship was reversed, the increase of wages exceeded the increase of productivity. In the first half of 1927 both were equalised. Taking the whole period of three and a half years, critics were therefore justified in saying that labour had been exploited.

The opposition maintained that the standard of living of the workers was being lowered. In proof of this assertion, it said that rents had been raised, and that consequently the workers were compelled to sub-let part of their living-space. It added that the consumption of vodka was rapidly growing, and had become a heavy burden upon the domestic budget.

The government answered that the total household expenditure of the worker had risen from 81 rubles 57 kopecks in 1924 to 105 rubles 79 kopecks in 1926.

But it made no mention of the fall in the purchasing power of the ruble. In 1926 this purchasing power was less than half its nominal value. In reality the total household expenditure of the average worker was then not much more than £1 a week.

The government admitted that the cost of individual monthly consumption of vodka had risen from 35 kopecks in 1924 to 88 kopecks in 1925, but said that since 1925 there had been no further increase.

The opposition complained that overtime was a frequent practice. The government published statistics to show that only 15.2 per cent. of the workers had been employed on overtime during 1926, or 7 per cent. less than in 1923; and that each worker was thus engaged for only 17.2 hours of overtime in 1926 compared with 26.6 hours in 1923. Inasmuch as it accentuated the inequalities existing amongst soviet workers, overtime was contrary to socialist principle.

The opposition asserted that rationalisation of state industry was unaccompanied by expansion of production, and that consequently discharged workers could not be absorbed. The government replied with a theoretical exposition of the superiority of socialist rationalisation over capitalist rationalisation. The first, it was claimed, strengthened the workers numerically, culturally and materially, the second had entirely opposite effects. It was promised that, where technical improvement had been accomplished, piece-rates would be revised, so as to enable the workers to secure higher wages. Piece-rates were widely prevalent throughout Soviet Russia. As with overtime, they accentuated inequalities, and were therefore in conflict with the principles of socialism.

The opposition remarked that whenever there was lowering of conditions of labour, the weakest suffered the most, in particular women and adolescents. It said that in 1926 the earnings of unskilled women in Russia were from 51.8 to 83 per cent. of the earnings of men, that in 1927 the average earnings of adolescents

were 39.5 per cent. of the earnings of all workers—8 per cent. less than in 1923. The government could not deny the accuracy of these figures, but as regards women it made this comment: “In view of the inferior physical strength of women and the large supply of unskilled female labour, women's wages lag considerably behind those of men.” As regards adolescents, it quoted the following resolution of the XV Congress of the Communist Party: “The problem of unemployment among the proletarian youth—that is, chiefly the children of factory workers and lower officials—is very acute. Not having had opportunities for study or for learning a trade, they are doomed to long periods of compulsory idleness. Excluded from the sphere of proletarian state institutions which are almost exclusively composed of offices and factories, and from the educational facilities offered by such institutions, they become morally corrupt and, together with destitute adolescents, form desperate street-gangs and degenerate into anti-social elements. They contaminate other working-class youth, including the less stable section of communist youth.”

The opposition observed that “the number of unemployed is growing much more rapidly than the number of employed workers,” that the registered total in April 1927 was 1,478,000, but that the real total was 2 million, and that the average monthly rate of insurance benefit was about 5 pre-war rubles (ten shillings). The government answered that unemployment was “a really sore spot,” and that it was growing considerably. But it went on to explain that the increase was caused by the migration to the towns of peasants for whom no work could be found, and that actually unemployment amongst industrial workers had declined. But this reply did not dispose of the opposition's contention that “the number of unemployed is growing much more rapidly than the number of employed workers.”

The government mentioned that the number of regis-

tered unemployed in Leningrad on September 1, 1927, was 132,000. Out of this total 60,000, or 45·9 per cent., were trade unionists and 90,000, or 60 per cent., women. It was also disclosed that only 600,000 out of the 2 million unemployed in Russia received insurance benefits. The government insisted that these benefits were higher than the opposition had represented, ranging from 7 pre-war rubles (14s.) to 13 pre-war rubles (26s.) monthly.

The opposition declared that the workers had less housing space than any other class, and that yearly it diminished. In proof of its statement it presented the following figures, showing in square metres the space allotted to each individual in the specified social categories: professional worker 10·9; non-worker 7·1; independent artisans and handicraftsmen 7·6; clerical worker 6·9; industrial worker 5·6.

The government did not question the accuracy of these statistics. It confessed that the housing problem was getting worse, and that the average floor-space for each individual of the urban population had decreased from about  $6\frac{1}{2}$  square yards in 1923 to 6 square yards in 1927.

Concerning factory management and the control of labour, the opposition had strong criticism to offer. It quoted statistics of the Commissariat of Labour showing that every tenth worker was injured yearly. In reply the government admitted that "the protection of labour is extremely unsatisfactory," but claimed that severe and fatal accidents were diminishing.

Quoting a resolution of the XIV Congress of the Communist Party, in which it was declared that the Trades Unions no longer defended the interests of the workers, the opposition maintained that since then the bureaucratisation of the unions had increased, that the overwhelming majority of the delegates to the Conference of the unions had no association with industry, that agreements between a "triangle" of officials, the secre-

tary of the "local," the director of the factory, and the presidents of the factory and shop committees had replaced the self-activities of the workers themselves, and that the workers shirked attendance at general meetings, fearing to express themselves lest they should be deprived of their livelihood.

The government answered that, of all the workers employed, 24.5 per cent. attended shop conferences, a not very large proportion, it will be observed. It also said that general factory conferences were dying out, and that in their place factory conferences of delegates from each shop were being held.

Furthermore, the opposition declared that collective wage contracts were concluded in circumstances in which workers feared to speak their mind, that frequently these contracts provided for needless reduction of the number employed, that frequently also they fixed standards of production according to the capacity of the exceptional, not of the average worker, and that, owing to the existence of compulsory arbitration, they ceased to have the character of agreements and became nothing more nor less than administrative orders. It was alleged that the factory management had of late strengthened its control over the workers whom it engaged and dismissed at will; and that in certain instances the relationship between the two was indistinguishable from that which existed between master and man in Tsarist times.

Lastly, it was said that because of the insufficiency of schools and the high fees demanded for books, the workers found it difficult to give their children even an elementary education. Trotski commented: "Considerable numbers of workers' children are being driven into the streets."

The opposition proposed that wages should be increased to level of productivity, that, with a view to establishing equality of remuneration, the lower rates of wages should be systematically raised, but the higher

rates not lowered. The government replied that if the first part of this suggestion were adopted it would only lead to an increase in prices, depreciation of the ruble, and a further fall in real wages. In regard to the second part of the opposition's suggestion, the government admitted the existence of "glaringly abnormal differences in the wages of various categories of toilers," but said that a general instruction had been given that no opportunity should be lost of reducing these differences by raising lower rates of pay.

## CHAPTER XXXV

THE OPPOSITION AND THE AGRARIAN PROBLEM—CONTINUED EXPLOITATION OF THE POOR PEASANTS—SCARCITY OF MANUFACTURED GOODS—SUPERIORITY OF THE CAPITALIST SYSTEM—DIFFICULTY OF FINDING MEANS FOR INDUSTRIAL EXPANSION (1926–27).

THE opposition prefaced its detailed criticism of the agrarian policy of the government with a citation of fundamental ideas which Lenin derived from Marx. Briefly, these ideas were as follows: so long as small-scale peasant production survives in Russia, capitalism, and with it the bourgeoisie, is growing hourly. On that account the task of creating socialism is complicated. It will be hard to make progress, still harder to retain it. Every inch of the ground will have to be fought for. For the socialisation of agriculture two means are possible: co-operation and electrification. The proletarian state must develop its industry to high perfection, particularly electrification, in order that the multitudes of scattered and technically backward peasant households may be organised into large, well-equipped collective units. Should it fail to do so, then it will be swept away by capitalism, which in the interval will have recruited its strength in the countryside. But transformation from individual to socialist farming will need much time, and it can only be achieved “ by gradual preliminary stages.” Meanwhile, no effort, it was urged, should be spared to induce small producers to enter co-operative societies, for “ the growth of co-operation is the growth of socialism.”

The opposition declared that without the persistent industrialisation of agriculture, without a revolution in technical methods of cultivation, extensive collectivisation—in other words, co-operation amongst producers—was impossible. It insisted that other forms of co-operation in the village, both selling and purchasing, were frequently under the domination of the kulaks, and advocated that in future these kulaks should be controlled exclusively by socialist elements, especially industrial organs and trades unions. The government was accused of promoting co-operation among the peasantry to the neglect of electrification, whereas Lenin had said that a combination of both co-operation and electrification was essential for a transition to socialism.

The government answered that the attitude of the opposition was tantamount to saying that without large-scale industry and a technical revolution in agriculture, it was of no avail to organise co-operative societies amongst the peasantry. At the same time it quoted resolutions of party congresses to prove that it was by no means indifferent to either, and that it was the opposition who had revised the teachings of Lenin and Marx.

Of the distressing condition of the village the opposition gave a vivid picture. The area of land rented was increasing year by year. Much of this renting was concealed in order that taxation should be evaded; hence official statistics on the subject were meaningless. In some districts the system of landed proprietorship was reviving. Out of  $3\frac{1}{2}$  million wage-earners in Soviet Russia,  $1\frac{1}{2}$  million were farm labourers. Most of them worked unlimited hours for wretched and irregularly paid wages. From 30 to 40 per cent. of all peasant households had no horses and no equipment. Whilst the rich hired cheaply the land and the labour of the poor, the poor hired dearly the horses and the equipment of the rich. Government grants of machinery and credits fell into the hands of the rich. Slavery and usury were

widespread. The host of the landless at the mercy of the kulak was constantly being reinforced by individuals who had either been ruined or driven from their households that they might be deprived of their legitimate share of land.

The opposition contended that the government relied upon "the strong peasant," the kulak, for the creation of a prosperous countryside, that it adhered to the dangerous doctrine that so long as the power rested with the proletariat this "strong peasant" could not be a menace, and that it ignored the petty-bourgeois character of peasant economy and closed its eyes to the rapid development of classes in the village.

The government denied that it favoured the kulaks and insufficiently heeded class differentiation in the village. It cited resolutions passed by congresses of the Communist Party which clearly showed no relaxation in hostility towards the kulaks. If the authorities were not energetic enough in repressing the rich, they failed to fulfil the wishes of most Bolsheviks. The government did not deny that class differentiation was taking place, but added that its extent had been exaggerated. It also did not deny that the number of kulaks was increasing and that the richest ones among them were growing even richer.

The opposition asserted that in the past four years the number of the poor peasants with little or no land had increased by 30 or 40 per cent., that the middle peasants, holding from 6 to 10 dessiatins, had increased by 100 to 120 per cent., and that the peasants possessed of more than 10 dessiatins had increased by as much as from 150 to 300 per cent. It argued that the decline in the number of peasants with little or no arable land was due to their ruination, which caused them to abandon farming altogether, and that one serious result of kulak progress was the lessening of the economic importance of the middle peasant.

The government replied that the diminution in the

number of the poor peasants was the consequence of their having passed up into the category of the middle peasants, and that since this category, on the opposition's own showing, had increased in four years by 100 to 120 per cent., its economic importance could not have diminished. It also mentioned that of all land rented the middle peasants took 88 per cent., and that the hirers of machines to the poor were chiefly middle peasants, not kulaks. Lastly the government presented data relating to several regions from which it concluded that "while before the war the growth of the kulak class was accompanied by a diminution of the middle class—that is of households possessing not less than three horses—and by the increase of the poor class possessing no horses, at the present time the growth of the kulak class is accompanied by the diminution of the poor class, having little or no arable land, and the growth of the middle class."

Although the government sought to prove that the village was not in so bad a state as the opposition had represented, its own account of it showed that no progress was being made towards socialism. The rich were becoming richer, and the poor were entering the middle class in large numbers, where they exploited the poor whom they had just left, hiring machinery and land to them at oppressive rates.

The opposition then outlined a series of possible solutions for agrarian problems. It urged the government strenuously to oppose "the exploiting activities of the kulaks," to pursue an aggressive class policy, to promote only the interests of the poor and middle peasantry. Advocating that collective farms should be organised rapidly, the opposition said that the poor who wished to enter these farms should be subsidised. In addition, it suggested that this category should be given preferential treatment in the division and utilisation of land, the distribution of credits and machinery, and co-operative benefits. It did not desire that the renting of land should cease, but insisted that it should

be absolutely, and not merely in words, subjected to the supervision of the local soviet authorities.

The government declared that the proposals of the opposition contained nothing new, that the defects of which it spoke were non-existent. But the opposition had other proposals to make, and these were of a more definite character. They suggested that from 40 to 60 per cent. of the poorest families amongst the peasantry should be wholly relieved from taxation.

The government answered that in 1926-27, 6 million poor peasant households—a quarter of all households—had been so relieved, and that consequently revenue from agricultural taxation had fallen by 25 million rubles. They explained that agricultural taxation was progressive, beginning at 2 kopecks for yearly incomes of 20 rubles per head in each family and increasing by stages up to 25 rubles for all incomes over 100 rubles per head.

The opposition estimated that a stock of grain had been accumulated by the peasantry amounting to between 600 and 870 million poods. It contended that the withholding of such a large quantity from the market impeded the circulation of commodities, and thus retarded general economic progress. The suggestion had been made by the government that if a more liberal supply of machinery and articles of consumption were available the peasant could be induced to dispose of a considerable portion of his reserve of grain in exchange for them.

The opposition replied that the stocks were largely in the hands of the kulaks, and that a solution such as that proposed would merely strengthen this class. As an alternative it advocated that from 150 to 200 million poods of grain should be extracted by means of increased taxation of the rich peasants, as a consequence of which they would be forced to sell grain in order to secure the needful money, or by loans which under soviet conditions meant compulsory loans.

The government answered that stocks had been accumulated not necessarily by kulaks, but largely by

peasants of all classes in the regions where the great famine had occurred. Rykov remarked: "Of course the poor farmer strives his utmost to accumulate some stocks for fear of a repetition of the hunger of 1921. I tell you frankly that if I were a peasant, poor, middle or kulak, living in the Saratov or in the Tsaritsin regions I would accumulate stocks. I would do it not as part of 'state planning,' but as part of 'individual planning.'" Those who had always declared that if the individual failed to look after himself no one, least of all the state, would do so, found striking justification in Rykov's remark.

A third definite proposal of the opposition was that grain prices should be raised sufficiently to ensure the normal development of agriculture. They considered that existing prices were ruinous for the middle and poor peasants.

The government replied in the following terms: "We still suffer loss on our manufactured goods. The control figures place this loss in the ensuing year at about 400 million rubles (£40,000,000). Only by enormous effort shall we maintain the economic equilibrium between town and country. At the same time we shall be compelled to import certain articles of consumption from abroad. The supply of manufactured goods lags behind demand. There is still a wide divergence between wholesale and retail prices. All effort to reduce prices meets with obstacles, many of which are difficult to overcome. To raise the prices of grain in such circumstances would be a dangerous political adventure. It would amount to a call to the party to impose upon the country serious economic and political complications; to render the shortage of commodities more acute; and to increase the prices of manufactured goods, thus reducing wages and lowering the standard of living of the masses."

Having dealt with the condition of the workers and of agriculture, the opposition offered criticism of the

economic situation as a whole. In general their conclusions may be summarised as follows: Soviet Russia is encircled by capitalist nations. The world revolution is long in coming. Two dangers are to be feared, one is war, the other capitalist rivalry. That Russia may be ready for the first she must accumulate large reserves of foreign raw materials requisite for the manufacture of commodities consumed in war, and establish industries which are indispensable for war. Even more imperative is it that mass production be introduced throughout industry, and in such a manner as to be adaptable for the purposes of war.

Here the question arose of Russia's relationship to the world economic order. Lenin said that she was bound up with the international market, from which in no circumstance could she detach herself. For this reason, the opposition argued, she could not shut herself in and realise socialism at leisure.

Trotski wrote: "What was Russia before the revolution, before the war? Was she an isolated capitalist state? No. She was a component part of capitalist world industry. Here lies the root of the question. . . . It would be radically false to think that after the working class had captured power it can exclude the country from world industry by simply pressing a button as we do to extinguish the electric light. In reality our socialist state is always directly or indirectly under the relative control of the world market. . . . The rate of its development is not an arbitrary one; it is determined by the whole of world development, because ultimately world industry controls every part of itself, even if one part is under proletarian dictatorship and is building up socialist industry."

The monopoly of foreign trade, the opposition contended, was justifiable only because technical conditions in Russia were backward. Were it not to exist, goods superior in quality to soviet goods and cheaper in price would pour into the country and undermine its

economic system. But the protection afforded by the monopoly must not lead to slackening of effort to improve technique. Such effort would be greatly facilitated by contact with the outside world. The danger of war might thereby be increased, but should war come and Russia remain technically backward, her situation would be critical. In the meantime nothing remained but to hope that proletarian revolutions would occur in one or more of the leading nations of the west, in which event the capitalist encirclement of Russia would be broken, and her armament burden considerably lightened. She would then be enabled to strengthen her technique, and to realise socialism in the full meaning of the word—that is, a classless society, in which the formula would be realised: “from each according to his ability; to each according to his needs.” But war was not the only menace to be feared. Even more disturbing was the possibility that soviet production might lag too far behind capitalist production. Trotski wrote: “Up to the present the economic superiority of the capitalist states lies in the fact that they produce goods cheaper and of better quality than does socialism. We know the fundamental law of history—in the end the régime will conquer which ensures human society a higher economic standard.”

Stalin indignantly replied to the opposition, and in particular to Trotski. If the latter’s view were correct, he said, Russia could only develop under the control of world capitalist economy. “But is it right?” he continued. “No, it is not. It is a dream of the capitalist sharks which will never come true.” He then proceeded to explain that capitalist control meant the control of industry, of banks, of finance, of markets, of politics, all of which in Russia were under the control of the proletarian state. “If it is real capitalist control that we are discussing,” he concluded, “then I declare that it does not exist, and never will exist in Russia so long as the Dictatorship of the Proletariat survives.”

Entering upon detailed criticism, the opposition alleged that industry, transport, electrification and building were inadequate for the needs of the population, and that a whole series of ill-consequences followed: insufficient agricultural produce was marketed and exported; consequently there was a severe limitation of imports, cost of production went up, the value of the chervonets went down, unemployment increased to alarming proportions, housing conditions deteriorated, the link between agriculture and industry weakened and the defences of the country were impaired.

In reply the government quoted figures to show that the progress of soviet industry was speedier than had been that of the industries of capitalist nations in pre-war times. But it omitted to explain that such progress was calculated from the depths to which soviet industry had fallen as a result of the revolution.

Next, in order to demonstrate that industrialisation was proceeding satisfactorily, the government presented a table which indicated that in four years industrial production had gained 8 per cent. on agricultural production; and set forth statistics for the same period which showed that the manufacture of the means of production had exceeded the manufacture of articles of consumption. The relative proportions were as follows: means of production: 1923-24 51.4 per cent., 1926-27 56.2 per cent.; articles of consumption 1923-24 48.6 per cent., 1926-27 43.8 per cent. Although the production of articles of consumption had diminished, it was claimed that the value of commodities circulated had steadily increased. In 1922-23 such value was 9,751 million rubles, in 1925-26 20,468 million rubles, and in 1926-27 24,400 million rubles. These figures must be considered in relation to the enormous increase in population and the depreciation of the ruble. In regard to the latter, the government said that the opposition had been guilty of misrepresentation.

It was true that the chervonets appreciated slightly in

1927. Even so it stood only at about half its nominal value; and was actually worth 2 rubles 48 kopecks less than in 1922-23. Furthermore, after 1927 it began to depreciate again.

The opposition next urged that industrialisation could not be achieved unless costs of production were drastically reduced and prices brought down to the world level. At present, they declared, prices were arbitrarily lowered by bureaucratic decrees. At the same time an extreme scarcity of commodities existed, and afforded incentive to profiteering. Consequently, reductions never reached the masses, the disparity between wholesale and retail prices remained, and the state industry lost hundreds of millions of rubles.

In reply, the government pointed out that the opposition was divided as to prices, and that a large section was in favour of their being raised. It quoted a number of speeches by the opposition to prove that its own statement was right. Of these speeches the following passage was typical: "There is an enormous divergence between wholesale and retail prices. . . . For this reason the fundamental task is to direct this difference into the state industries, not into the pockets of the private capitalist. In this manner we shall secure means for the expansion of industry, and thus prepare the way for a reduction of prices. Why should we not manœuvre, raising the wholesale prices of those goods of which there is a shortage and which are sold to the private trader, maintain these prices for a certain time, and then when production has increased make a parallel reduction in wholesale and retail prices?"

The author of these words was Piatakov, and the occasion on which he delivered them was a meeting of the Plenum of the Central Committee of the Communist Party in July 1926. The government answered him by citing a resolution of the XV Congress of the Communist Party, which declared that "to attempt to industrialise the country by the method of raising wholesale

prices means to develop our industries in such a way as to isolate them from all other branches of national economy, to restrict the market for the sale of manufactures, to stimulate a further rise in retail prices, and thus to reduce the level of real wages, arouse the country against the towns, intensify class differentiation in rural districts by making manufactured goods accessible only to the more wealthy strata of the rural population, create conditions for inflation and in the final analysis prevent the realisation of industrialisation itself. To raise wholesale prices would be particularly dangerous when state industries enjoy a practical monopoly, for it would only lead to technical stagnation and the growth of bureaucracy."

The concluding part of the opposition's criticism was taken up with answering the question: where to find the means? In its opinion means could mainly be found by redistribution of the national income. The need for such redistribution, it said, was evident from the fact that in 1931, according to the government's plan, the budget, both state and local, would amount only to 16 per cent. of the national income—2 per cent. less than in Tsarist times. It considered that a socialist budget should absorb more of the national income than a bourgeois budget, and that much larger sums should be devoted to industrialisation than had hitherto been expended for this purpose. The opposition then suggested several methods by which the national income could be redistributed. The first of these, that a larger quantity of grain should be extracted from the kulaks, has already been mentioned. A second proposal was that the amount collected from excess profits taxation should be raised from 5 million rubles to not less than 150 to 200 million rubles.

The government answered that taxation was then extremely high, that the taxation of the private capitalist was 45 per cent. higher than in 1925, that income tax ranged from  $38\frac{1}{2}$  to  $57\frac{1}{2}$  per cent. of incomes earned,

and that if, in addition, excess profits tax and local supplementary taxes were taken into account, then taxation ranged from 62 to 90 per cent. of earned incomes. It quoted the opinion of the economist, Strumlin, that the yearly accumulation of private capital was 113 million rubles, and added that other experts estimated such accumulation at from 140 to 200 million rubles. The opposition had urged that the excess profits tax should be raised so as to bring in not less than from 150 to 200 million rubles. Had their proposal been adopted, private capital would have ceased altogether to exist, and Russia would have reverted to a condition resembling War Communism.

The opposition further advocated the extended use of credit, a firmer class policy, the suppression of speculation and usury, the increased mobilisation of private capital, and a renewal of the prohibition of vodka, with a view to raising the efficiency of the worker.

Finally, the opposition expressed the opinion that means could be found for intensifying industrialisation by "a correct utilisation of our bonds with world economy." Cautiously refraining from giving details, it suggested in general terms that with wiser management increased income could be obtained from the monopoly of foreign trade, from concessions to foreigners and from foreign credits. It also urged that industrialisation would be hastened were an extensive use to be made of foreign technical aid.

## CHAPTER XXXVI

PRE-WAR LEVEL OF PRODUCTION PASSED—HEAVY LOSS ON  
SOCIALISED INDUSTRY—NATIONAL INCOME AND  
NATIONAL ACCUMULATION—GROWTH OF STATE  
CAPITAL AND IMPOVERTISHMENT OF THE PEOPLE  
(1926–27).

WHAT was the actual economic condition during 1926–27, the period when the Bolsheviks bitterly disputed amongst themselves? For the first time since they had seized power in 1917, production of both agriculture and industry surpassed pre-war level, the production of agriculture being 108·3 per cent., and of industry 100·9 per cent. of that in 1914. About 117 million poods of grain were exported, one-fifth of the quantity exported in pre-war times. For the first time after two years foreign trade showed a favourable balance, amounting in current prices to about 60,000,000 rubles. Internal trade turnover and credit expanded. At the same time industrial prices fell and the purchasing power of the chervonets rose a little. The harvest of 1927 was less abundant than that of the previous year. It amounted to 4,460 million poods, about 200 million poods below the harvest of 1926, and 1000 million poods below the average harvest of the period 1909–13.

Closer examination revealed less satisfactory conditions. The contribution of revenue to the budget from all state enterprise and property reached nearly 700 million rubles (£70,000,000) about 27 million rubles (£2,700,000) more than in the previous year. On the other hand, expenditure for state enterprise and property reached 866,800,000 rubles (£86,680,000) compared with 480 million rubles

(£48,000,000) in the previous year. Thus nationalised industry continued to be a heavy burden upon the resources of the population. At the same time the rate of its expansion slowed down. In 1926-27 the increase in the production of large-scale industry was 18.2 per cent. compared with 42.2 per cent. in the preceding year. Even then progress was faster than in any capitalist country, but, as I have already explained, soviet industry originated from inherited equipment, and the statistics illustrative of its expansion were impressive merely because they started from the depths to which production sank in the period of communism, and recorded each successive stage of an advancement that was not too difficult so long as ready-made factories and plant were at hand. Yet despite the persistent growth of production, the quantity of goods manufactured by state enterprise remained absurdly inadequate for the common needs of the population. Whilst at all times there was under-supply of indispensable commodities, frequently there was over-supply of superfluous commodities.

Industrial prices, it was true, had fallen a little. They were nearer to agricultural prices than they had been for some time, but there was still a marked disparity between them. Under soviet conditions, moreover, prices were not of primary importance; for they were often fixed regardless of supply and demand, and the goods to which they related were often either extremely scarce or wholly un procurable. Of what avail was it to lower prices when the articles priced existed only in the imagination?

Unemployment was continuously increasing, and had reached enormous proportions. Official statistics merely registered the number of individuals designated as proletarians who could not find work. They took no account of the not inconsiderable number of educated persons who, because of their origin, were excluded from state service, and could not secure other employment. For such people the government had no sympathy. The

soviet system was deliberately devised to ensure that as far as possible none but those privileged to belong to it should survive.

The total number in work increased only to a small extent. Information published by the Central Statistical Bureau showed that whereas between 1925 and 1926 the total employed in state industry increased from 1,980,000 to 2,642,000—that is, by 662,000—the increase between 1926 and 1927 amounted to 117,700. It may be considered strange that there should have been a concurrent growth of employment and unemployment. But the Bolshevik leaders argued that socialist rationalisation differed from capitalist rationalisation, inasmuch as it was accompanied by expansion, not shrinkage of employment, and that unemployment in Russia was due to peculiar conditions not to be found in capitalist countries, the consequence of which was mass migration of landless peasants to the towns. Up till 1926–27 the total number of persons in employment increased considerably. But the real explanation of this circumstance was other than that offered by the Bolsheviks. To make up for the extreme scarcity of skilled men, an unusually large number of unskilled men had to be employed. Furthermore, as has been already mentioned, the increase in production was largely due to the availability of equipment inherited from the old régime, a reason that also accounted for the increase in employment. Lastly, it should be emphasised that the aggregate number in employment was far below that of any capitalist country.

Addressing the XV Congress of the Communist Party in December 1927, Stalin made allusion to the “record-breaking” advancement of soviet industry. “Nothing to equal it,” he continued, “has ever been known in any large capitalist country. Lenin was right in saying, even in 1917, before the Bolsheviks took power, that a proletarian dictatorship could catch up and even surpass the advanced capitalist countries.”

Stalin then detailed the reasons why soviet industry

"had surpassed the economic development of capitalist countries." First, he claimed that because soviet industry had been freed from the covetous and anti-social interests of capitalist groups, it developed in the interests of society as a whole.

So far, soviet industry had been incapable of supplying the population with its simplest needs. It could not be said therefore that up to the present it had proved itself to be superior to capitalist industry as a server of humanity.

Secondly, Stalin said that, because soviet industry was the largest and most concentrated industry in the world, it competed successfully with capitalist enterprise.

At that time the prices of soviet commodities were from two to three times higher than those of capitalist commodities; and neither in quantity nor quality was soviet production equal to capitalist production.

Thirdly, Stalin asserted that, because the soviet state controlled transport, credit, foreign trade and the budget, it possessed all the means requisite for planning nationalised industry, for unifying it as a single enterprise. The consequent advantages, he said, were tremendous.

Although theoretically there was much to be said for this point of view, in practice it was sadly falsified. Of planning there was certainly no lack; but chaos, not order, existed.

Fourthly, Stalin contended that "nationalised industry, as the largest and most powerful of any form of industry, has every opportunity of continuously reducing costs of production and wholesale prices, thus cheapening its produce, expanding the market for its products, raising the purchasing capacity of the home market, and creating a continuously widening basis for further industrial development."

When Stalin spoke these words, the prices of soviet commodities were at least double world prices, and the purchasing power of the chervonets had depreciated to half its nominal value.

Later in the course of the same speech, Stalin said : " Exceedingly slow is the rate of reduction of the cost of production in industry and of wholesale prices of manufactured goods, particularly of retail prices of urban commodities. . . . We have to deal with tremendous resistance to price-reducing on the part of the government, the co-operatives, and the party."

Fifthly, Stalin urged that, for many reasons, one being its ability to reduce prices, soviet industry could develop a *rapprochement* between town and country, proletariat and peasantry, whereas " capitalist industry, by absorbing the vitality of the peasantry, developed hostility between the bourgeois towns and the ruined rural districts."

It has been shown in preceding chapters that soviet industry was a purely parasitical growth maintained largely at the expense of the peasantry, and that in order to extract money from the population to cover its high costs of production, it charged exorbitant prices for its commodities.

Finally, Stalin claimed that since industry in Russia was based upon the working class, rationalisation and technical improvement could be effected more smoothly than if it were under the capitalist system. In proof of this statement he alluded to the " development of our technique within the last two years " and to " the continuous rise in the material and cultural condition of the working class, which does not, and cannot exist under the capitalist economic system."

No impartial student of Bolshevism in practice could bring himself to believe that Russian industry was at that time in any way superior to the industry of the west, nor yet that the cultural progress of the Russian proletariat was ahead of that of the proletariat of the west.

Later in the course of the speech from which I have quoted, Stalin recited the following passage from Lenin : " The main thing we lack is culture ; the ability to govern economically and politically, according to the New Policy, enables us to build the foundations of socialist

economy. It is merely a question of the cultural forces of its vanguard."

What inspired Stalin to exaggerate soviet achievement : plain self-deception or demagogical cunning ? The answer is, a mingling of both. Stalin's audience was composed exclusively of communists, most of whom had neither the capacity nor the inclination to be critical. Had he spoken judicially, he would have depressed his hearers, diminished his influence, and in all probability have endangered his power.

What were the actual facts of the situation ? According to data published by the State Planning Department, in 1927 the national income amounted to 15,166 million pre-war rubles compared with 14,025 million pre-war rubles in 1913. In Soviet Russia, it should be explained, the national income was calculated upon a basis different from that used for the same purpose in other countries. Whereas in these other countries the incomes of all sections of the population are taken into account as well as the value of commodities produced, in Soviet Russia only the value of commodities produced is considered. Thus in Soviet Russia the national income represents the value of national production in the real sense of the term.

Between 1926 and 1927, according to the statistics of the State Planning Department, the volume of the national income increased by 10.4 per cent. and of per capita income by 7.8 per cent. Thereupon other official sources quoted figures to show that the increase in the volume of national income was higher in Soviet Russia than under the capitalist régime before the war. Mention was made of the following average yearly rates of increase in the national incomes of different countries : Tsarist Russia 2.6 per cent., Germany  $2\frac{1}{2}$  to  $3\frac{1}{2}$  per cent., and Great Britain  $1\frac{1}{2}$  per cent. Some non-Bolshevik economists considered that the rate of increase in the national income as determined by the State Planning Department was exaggerated. They contended that several items of

revenue had been wrongly included, that the methods used in calculation were defective, and that insufficient allowance had been made for deterioration of buildings. In their opinion the actual rate of increase in the national income was several per cent. lower than the figure announced by the State Planning Department. Yet even if the reduction which they desired had been made, the rate of increase would still have remained higher than the rates of increase in Russia, Germany and Great Britain before the war.

In 1925-26 Stalin had also quoted figures to show that the rate of increase in the value of production, that is in the national income, surpassed the pre-war records of capitalist countries. But speedy growth of production was not everything; of even greater importance were the sorts and qualities of the commodities produced. More attention had been paid to the production of means of production to be employed for the manufacture of further means of production than to the production of means of production to be employed for the production of articles needed for everyday consumption. Hence, despite the raising of the national income the population lacked ordinary necessities and the standard of living remained miserably low. In other words, the larger part of the volume of production was of such a character as to make no immediate contribution to the comfort or even to the sustenance of the people.

Decline in the quality of manufactured goods also partially accounted for the fact that the rate of increase in production (or alternatively in national income) was speedier in Soviet Russia than in capitalist countries. This decline was due to the insistence of the Government that quantitative results should be achieved and costs of production reduced. The unavoidable consequence was heavy financial loss.

The figures relating to national accumulation—that is to the growth of fixed and circulating capital—were not less interesting than those dealing with the national

income. It was estimated that in pre-war years Russia had devoted 10 per cent of her national income to national accumulation. In 1925-26 the proportion so devoted was 19.2 per cent.; in 1926-27 it was 18.3 per cent. An increase of 8 or 9 per cent. appeared to be a remarkable achievement. But it should be borne in mind that like the national income, national accumulation assumed forms which were not productive of immediate benefits for the population, which were, in fact, a heavy burden upon it. This accumulation, moreover, was effected by compulsory, not by voluntary means—by the forced lowering of consumption. Whereas the personal consumption per head of the population in 1913 amounted to 90.6 pre-war rubles, in 1926-27 it was roughly about 77.9 rubles, or if allowance be made for deterioration in the quality of goods available, about 72.7 pre-war rubles.

The foregoing analysis of the character of capital accumulation in Soviet Russia explains the conflicting accounts received from foreigners who visited the country.

One group, impressed by the factories, machinery and other means of production which this accumulation represented, considered that the soviet system was an assured economic success. Another group, impressed by the evident poverty of the population, looked upon Bolshevism as an economic failure. Thus both groups had ground for the views which they expressed, and which were so bewildering to those who listened to them. The truth was that a considerable growth of fixed capital, that is of the means of production, had taken place in Soviet Russia, but in a manner such as to impoverish not to enrich the population.

In 1926-27 new capital to the amount of 748 million rubles was invested in industry. In no other year had so large a sum been devoted to this purpose. The proportion set aside for creating new means of production was also in excess of that of preceding years. Yet it represented but a minute fraction of the gigantic capital

urgently required for reconstruction. Hitherto much capital and effort had been expended upon bringing into production fixed capital that was lying idle. Since all that could be done had been done in this respect, new fixed capital had to be created, results from which could only be expected much later. Effort more strenuous than any yet put forward was therefore required, for fixed capital could not be created without investment capital, nor investment capital without productive labour. More than ever was it necessary that output should be expanded. But there was a danger of the reverse happening—that deterioration of equipment would lead to decline of productivity. Even though progress might be slow, it was imperative that it should be maintained. Somehow or other, new means had to be brought into production quicker than old ones went out of production.

## CHAPTER XXXVII

SUPPRESSION OF THE OPPOSITION—DECLINE IN THE GROWTH OF AGRICULTURE—THE FIVE-YEAR PLAN FORESHADOWED—PROJECTS FOR INCREASING MEANS OF PRODUCTION—PROBLEM OF FINDING CAPITAL—INCREASING THE PRESSURE UPON THE PEASANTRY (1926–27).

THE year 1926–27 was the year when, for the first time, soviet rulers fully realised the imperative need for the rapid and drastic reconstruction of industry. Hitherto fixed capital had consisted mainly of the heritage of the past, whilst circulating capital was largely derived from expropriation. There was a danger that, private enterprise having been destroyed, state enterprise might prove incapable of taking its place, that the parasitical socialist growth might perish along with the organism which it had poisoned. Yet indulgence in senseless optimism continued. Had Marxism not been synonymous with materialism, such optimism might have been mistaken for mysticism; but so flagrantly was it in conflict with the evident poverty of life in Russia that it could not be regarded as otherwise than the fruit of ignorance or deception. Yet it must not be thought that criticism was stifled. On the contrary, when restricted to specific subjects unconnected with policy it was styled self-criticism and welcomed. But the least hint that Lenin's teachings were being departed from, or that the system itself might prove a failure, met with instant repression. To deny the infallibility of the party was to be guilty of heresy, the punishment for which was severe. Whoever captured the party captured Russia.

The opposition had been disposed of by methods characteristic of despotism. The leaders were deprived of posts and sent into exile. Many of their followers were put in prison, and the remainder were terrorised into silence or submission. Stalin's optimism had a tranquillising effect upon the majority of the party, who wished only to hear that the revolution was successful. Shrewder men perceived that a great crisis was at hand, one that might involve the extinction of the New Policy and the undoing of much of Lenin's work.

Expansion of large-scale industrial production was slowing down. Still more marked was the decline in the growth of agriculture. In 1926-27 the increase of its gross output, expressed in pre-war values, amounted only to 3.2 per cent. compared with an increase of 18.2 per cent. in the gross output of industry. In the earlier period of the revolution a contrary tendency had manifested itself. At that time agriculture had recovered more quickly than industry. Even Stalin was disturbed, and had to confess that the progress of agriculture during 1926-27 was behind that of agriculture in capitalist countries.

The Russian population was mainly agricultural, and state industry depended almost wholly upon agriculture for its resources. If agriculture came to a standstill, state industry would languish and perhaps perish altogether. Had economic forces been directed more wisely or allowed more free play, agriculture and industry would have interlocked, the one affording a market for the produce of the other, the resultant profit furnishing capital for both. Actually, socialist industry lived upon, not for, agriculture.

How was it possible to quicken the pace of agricultural development, at the same time enlarging industry and making it profitable, thus fulfilling the task to which Stalin had committed the country of realising socialism in isolation from the rest of the world?

A suggestion was made by a number of prominent

Bolsheviks that industry should be deliberately retarded so as to bring it into line with agriculture. It was not difficult to imagine what would have happened had such a course been followed. For many years the country would have remained predominantly agrarian. Drastic political and economic changes would have followed, gradually replacing impetuosity. The illusion that individualism was the sole obstacle to human happiness would have perished ; fanaticism, ceasing to inflame the routine of ordinary life, would have retired to its old haunts, the cells of monks and the caves of hermits ; and at last the curtain would have fallen upon the tragic pantomime of revolution, leaving its puppets little else to do but write their memoirs. Such a climax would have been exuberantly acclaimed by the overwhelming majority of the population ; and then the country would have settled down to prosaic development. The masses would still have been poor, but not so wretchedly poor as under Bolshevism.

Naturally most communists rejected a solution that was a negation of their own revolutionary faith, one that, moreover, depended upon their own self-effacement. Rightly, they considered their fate to be linked with that of socialist industry. Their power was derived from the proletariat, and the proletariat got its livelihood from industry. Only by expansion of industry could the wages and privileges of the pampered class be increased. Here a familiar obstacle was met with. As has been shown, industry and agriculture were interdependent ; it was impossible for the one to develop if the other were retarded ; and in fact agriculture could not progress at all unless it was equipped with machinery, and this only industry could supply. The government therefore determined to stake everything upon industrialisation in the firm conviction that by so doing it would procure the machinery requisite for agriculture, find employment for the masses of landless peasants, secure the basis of Bolshevik power by placating the proletariat, and at the same time

strengthen the national defences against the contingency of war. At the same time it resolved that all possible measures should be taken to socialise agriculture and convert the peasants into proletarians in the service of the state.

This policy was announced to the XV Congress of the Communist Party at the end of 1927. Foreshadowing the Five-Year Plan, Rykov said: "The main idea of this plan is the recognition that industrialisation is the only means of organising socialism. . . . The difficulties and fluctuations of inefficient guidance may at any time deprive our national economy of its equilibrium. The plan is designed to reduce these difficulties and fluctuations to the lowest possible minimum. . . . On the development of heavy industries, particularly the machine industry, depends the development of agriculture."

At the same congress Stalin said: "What is the solution for agriculture? The solution is the transformation of the small and scattered farms into large amalgamated farms. Gradually and relentlessly, not under pressure, by conviction and example, the dwarf peasant households must be collectivised, equipped with tractors and machines."

The policy outlined by the government was hardly distinguishable from that advocated by the opposition, a circumstance which suggested that the origin of the quarrel amongst the Bolsheviks had been largely personal.

In the past more attention had always been paid to the manufacture of means of production than to the manufacture of articles of consumption. The XV Congress decided that in the future even greater energy should be directed to the first object. Thenceforth imports of machinery and of plant were to be increased, new factories erected, and additional stimulation given to industries that provided materials from which instruments of production were created. Mechanisation of agriculture was one of the chief aims of Bolshevism. Little headway was possible so long as industrial plan-

capable of manufacturing agricultural machinery was lacking. Numerous projects were drawn up with a view to overcoming this deficiency.

The increased diversion of capital and labour from the manufacture of means of production for the manufacture of articles of consumption to the manufacture of means of production for the manufacture of further means of production intensified the severe deprivation existing amongst the population. This circumstance occasioned Stalin no great anxiety. "There will be traces of a commodity famine for the next few years," he said. "But we cannot act otherwise if we wish to make progress in the industrialisation of the country."

Thus it was determined that the Bolshevik experiment should continue under harsher conditions than those of the past. One generation had been sacrificed, the generation mature in years when the revolution broke out. Another generation was doomed to the same fate. But of what consequence was this? Stalin's concern was for the success of his experiment, not for the anguish of those upon whom he experimented. Inured to pain and accustomed to submission, the Russian masses were ideal subjects for dissection in the laboratory of socialism; contemptuous of human nature and ruthless in character, no one was more qualified than Stalin for the rôle of political surgeon. Blinded by the light of a vision, he was unaware of the shadows around him. Contemporary generations might execrate his name, but should he succeed, then everyone would bless it.

Whilst declaring that the famine in commodities would last much longer, Stalin did not regard it as a particularly unhealthy symptom, and was content to reiterate the familiar explanation that, although industrial production surpassed the pre-war level and was rising rapidly, it could not as yet catch up the high purchasing capacity of the masses. Bolshevism, it seemed, could never escape the peril of being ruined by its own success.

It was true that industrial production exceeded the

pre-war total. But as regards many indispensable commodities, the increase was still disproportionate to the growth of population. Also it must be borne in mind that in the early period of the New Policy all stocks had vanished, and no others of any consequence had been created to replace them. Hence, there was always shortage of some commodities, and this shortage became acute each year at a period when the bulk of the agricultural produce was marketed, the reason being that this operation never coincided with the period when increased manufactured goods were available as a consequence of the annual rise in production. Instead of saying that the purchasing power of the masses had outstripped the producing power of industry, Stalin should have said that they possessed more paper money than before, but that it was often worthless, because no goods existed for which it could be exchanged.

It was evident that the second experiment of the Bolsheviks, the New Policy, had failed not less than the first experiment, Communism. Here the significant words of Rykov may be recalled: "Numerous obstacles and hardships exist under the soviet system. Without an adequately efficient guidance in the economic life of the country, these difficulties may at different times deprive our national economy of its equilibrium." Such a statement could not be interpreted otherwise than as an admission of the instability of the soviet system. Thenceforth, the leaders began to cast about for some new device that might save the situation, and the idea of the Five-Year Plan took shape in their adventurous minds.

Again the familiar perplexity arose: whence could the necessary means be found? Only one source was available, that upon which the system had depended from the beginning, the accumulation of private enterprise. Owing to the vigour of the attacks made upon it, this source had shrunk considerably in recent years. In 1926-27 private trade amounted to 18.1 per cent. of the entire turnover of trade, compared with 27.4 per cent.

in 1924-25. And in the period between those years its share in retail trade fell from 9.4 to 5.1 per cent.; in wholesale trade from 42.7 to 32.6 per cent. At the XV Congress of the Communist Party Stalin, alluding to "the decline of the relative strength of the business man, and the squeezing out of the petty traders," said: "What does that mean? It means that if our industry and trade develop, tens of thousands of small and middle capitalists are ruined. How many small and middle shops have been closed down during these years? Thousands. And how many petty industrialists have become proletarians? Thousands. And how many civil servants have been discharged as a consequence of the reductions of the staffs of our state apparatus? Thousands." Stalin might have added that private capital was becoming less accessible to the state, not merely because of the ruthless extinction of individual enterprise, but because the survivors of the frequent economic pogroms had acquired considerable skill in concealing their gains from the state.

The only course left to the Bolsheviks was to tighten up the last screws of the already efficient mechanism of expropriation. Such a measure involved obvious dangers. But the situation was so critical that any risk was worth taking. Rykov said: "This process of intensive elimination of private capital excludes the possibility of finding a means of solving the general problem of capital investment by raising the taxes on private capital." From this utterance it might have been supposed that Bolshevism contemplated suicide, that the proposed cure was not a cure, but a deliberately-concocted poison. But Rykov made haste to add that the extinction of private capital need occasion no alarm, that as it disappeared state industry would grow up and stand firmly on its feet. He even went so far as to predict that the day was not remote when "funds would be transferred from industry to agriculture for its more intensive development along socialist lines."

When the Bolsheviks alluded to private capital they had chiefly in mind the resources of the peasantry, who composed the overwhelming majority of the individual traders. Rykov said frankly that when he spoke of private capital he was thinking of the wealth of the village. Thus the rulers of Russia could devise no new means of escape out of a dilemma in which they had been placed from the moment when they seized power ten years ago. Since then they had made good the deficits of state industry from the proceeds of raids upon the earnings of agriculture, and they now saw no objection to a continuance of this expropriation, if need be, to the complete exhaustion of the individual wealth of the peasantry. What sustained them was the hope that one day the managers of socialist industry might take to heart Lenin's memorable counsel, and "learn how to trade," and that, as a consequence, profits would be available with which to build up socialist agriculture.

## CHAPTER XXXVIII

**HOUSING CONDITIONS—TEACHINGS OF MARX AND ENGELS  
—RATIONING OF LIVING SPACE—OWNERSHIP ABOLISHED  
—GREAT DESTRUCTION OF PROPERTY—RESTORATION OF  
RENTS—UNPRECEDENTED OVERCROWDING—(1917-28).**

It was claimed that the revolution would lead to the speedy creation of good housing accommodation for the whole population. So far in the present work only occasional allusions have been made to this subject. Because of its outstanding importance a comprehensive review of its various phases, beginning from the outbreak of the revolution, is called for. Under the Tsarist régime the housing conditions of a large section of the working class were abominable. Many thousands lived in basements or barracks ; overcrowding was common ; sometimes each corner of a room accommodated a family.

Lenin, following the teachings of Marx and Engels, put in the forefront of his revolutionary programme the placing of the poor in the homes of the well-to-do. Engels had written : “ It is certain that even now there are sufficient habitable buildings in the large towns to relieve shortage of accommodation, if only sensible use were made of them. This could only be accomplished by expropriation of their present possessors, and by settling in them homeless workers, or the workers who are living in overcrowded houses. As soon as the workers win political power such a measure will be carried out with ease.”

When the Bolsheviks seized power they issued decrees municipalising all buildings, houses, tenements and furniture. These decrees were never fully carried out.

They were not enforced in the countryside, and in the towns it was left to the discretion of the municipal soviets to determine which houses should be taken over. All houses in Moscow and Leningrad were municipalised, but in the small towns expropriation was restricted mainly to large buildings. Yet so great was the amount of property confiscated that the soviets could only take possession of part of it; the remainder stood ownerless and derelict.

The housing revolution proceeded in accord with the precepts of Lenin. Living space was rationed, each occupant being required to hold a licence from the state; furniture was seized and divided; and redistribution both of space and furniture was frequent.

Anything but equalisation resulted. In practice socialist theory became common theft. Bolshevik agitators urged the mob to "expropriate the expropriator," and when their advice was followed did not conceal their pleasure. Large numbers of workers found but little happiness in their new environment. It was awkward to live under the same roof with those whom they had despoiled, and they could not bring themselves to think that the seized property was their own. But others, as an official report said, behaved like conquerors, and committed much senseless destruction. Many tenants had no idea of how to care for decent furniture. Men in muddy high boots sprawled on divans; wood was chopped on parquet floors until the ceilings below fell in; and grimy saucepans were placed on any piece of furniture that was at hand.

It was not the intention of the Bolsheviks to abolish rents in the first stages of the revolution. Engels said that a proletarian state would not be able to afford to let living space free, and Lenin accepted this view, but added that payment of rents would merely be transitional, and would cease altogether when the state "withered away." Rents were abolished, not by decree, but by devaluation of money; for a room came to cost less

than bread, less than a few cigarettes or two dozen matches.

The consequences of non-payment of rent were calamitous. In the early period of the revolution the control of houses was entrusted to local soviets or to communes of workers, neither of whom had sufficient funds at their disposal. In numerous instances the house owners had fled. The state readily took over their property but was unable to discharge their duties. Of the thousands of decrees and circulars issued by it, few took effect. As time went on, the management of each block of flats or dwellings was delegated to a committee of tenants, the majority of whom consisted of workers. Powerless themselves to effect renovation, the authorities railed at the workers for not undertaking it, accusing them of having fallen under the corruption of their bourgeois neighbours. Certainly the workers, not less than the bourgeois, were wholly indifferent to the fate of the dwellings in which they lived. In abolishing ownership of property, the Bolsheviks had abolished from all classes the incentive for taking care of property. Tenants were wretchedly poor. But that was not the only reason which prevented them from looking after their houses. At frequent intervals the bourgeois were roughly evicted to make room for proletarians. This lack of security naturally discouraged the execution of repairs. As for the proletarians, the duties of landlordship were unfamiliar to them. They saw no reason why they should renovate property, the owner of which was the state, not themselves. From time to time tenants did effect odd repairs, but only sufficient to keep out the rain and the snow and to maintain a shelter over their heads.

In many districts sanitation and lighting ceased. Dwellings became dark and filthy dens. Water supply was fitful. In winter pipes burst, and could not be properly repaired again, for neither material nor workmen were procurable. Cellars were flooded out; conse-

quently foundations rotted and central heating arrangements broke down. There was a famine in fuel. In particular, those workers suffered from cold and discomfort who had taken up quarters in the spacious rooms of palaces and great houses. After all the woodwork of occupied dwellings had been consumed thousands of empty houses were stripped. Whole regions were thus devastated; an earthquake could hardly have done more damage than was wrought during this search for anything that would burn. Thousands of buildings fell into ruin, thousands wholly vanished.

A mania for collecting statistics developed. Numerous attempts were made to ascertain the extent of the damage, but so overwhelming was the task that it proved beyond the resources of the soviets, who had little money and few competent officials at their disposal. Only useless data were accumulated, and this to an extent so vast as to exhaust available paper supplies. Not until 1927 was it possible to make an intelligent estimate of the damage done. It was then found that of all municipal dwellings, 35 per cent. were beyond repair. In some places the percentage was even higher, as, for example, in Leningrad 39·4 per cent., in Kostroma 39·8 per cent., in Novgorod 40·4 per cent.

The government itself was the chief instrument of destruction. Hardly a week passed without a new department or branch being created. All these departments and branches required to be housed. Incessant shifting of quarters went on. Not infrequently, on leaving one building for another, a department carried away most of the fittings, and sometimes even the doors. A census, taken in 1923, showed that government departments occupied more than one-third of all available living space. In some towns the percentage was even greater. In Voronej, for example, it was 48·7, in Orel 52·4, in Viatka 56·8. In a number of other towns the percentage reached as high as 76.

In 1921, when the New Policy was introduced, decrees

were issued permitting of the demunicipalisation of all houses the cost of which had been less than 10,000 rubles. The owners of these small houses could lease them for a period not exceeding twelve years, provided they charged no higher rent than was prescribed by law. If their houses contained more than eight rooms they were to place 10 per cent. of the habitable area at the disposal of the local soviets. At the same time, the right to sell houses was restored.

In Moscow and Leningrad only a quarter of the small houses were demunicipalised; in the provinces the proportion was much larger. Large buildings remained nationalised; had the government wished to restore them to private ownership, it could not have done so, for no one was desirous of incurring so heavy a responsibility in a state the basis of which remained confiscation. Few communal dwellings survived. The best houses were assigned to government departments or enterprises, and were occupied by their employés.

With the inauguration of the New Policy small houses were not merely restored to former owners, but rents were reintroduced for property of all kinds. These rents were regulated on a class basis, according to the space occupied by the tenant, the unit of calculation being one square sajen (49 square feet). The workers paid the least, the bourgeoisie the most. In addition to rent, the bourgeoisie were mulcted in a monthly tax of 10 rubles for each square sajen occupied by them, the proceeds of which were devoted to the erection of houses for the workers. The table on page 414, taken from the *Co-operative Housing Magazine*, No 9, 1925, shows the proportions of space allotted to different classes and the rentals which an individual in each was required to pay.

Although from time to time rents were raised, the revenue received was never more than sufficient to cover half the costs of dilapidation. Destruction therefore continued at a much faster rate than repairs could be made. In 1928 it was resolved that rents should be sufficiently

high to meet the costs of management and depreciation; but owing to the extreme poverty of the tenants this principle was rarely followed.

Social Divisions.	Proportion of total urban population in the Union (%)	Proportion occupied of all available housing space (%)	Average rent charged per square sajen <sup>1</sup> per month. (s. d.)	Proportion of total rent collected (%)
Workmen . .	39·7	33·52	9½	18·95
Public servants and salaried persons .	29·3	37·02	1 0½	27·57
Unemployed . .	14·3	12·1	2½	1·80
Pensioners . .	5·3	2·81	2½	0·42
Independent workmen (tailors, blacksmiths, etc.) . . .	6·5	8·46	3 0½	18·81
Professional workers	1·0	1·21	4 0	3·60
Bourgeoisie : (Merchants, all employers, traders, and persons living on capital) . .	3·8	4·86	8 0	28·85

<sup>1</sup> 49 square feet.

During War Communism in all towns having a population of over 10,000 persons building was preserved as a state monopoly, but in fact few houses were erected. As soon as the New Policy was initiated, private individuals and co-operative societies were allowed to engage in this form of enterprise. Those individuals who built houses were not to become the owners of them, but were to be granted leases. For brick and stone houses the period of lease was to be forty-nine years, for wooden houses twenty years. The results of this new policy were poor. In 1923, for example, in 100 towns, 2,000 houses were built, but of these 99 per cent. were small wooden structures. Capital was lacking and the state was distrusted. In

1925 housing laws were modified again. The period of leases for wooden houses was extended to forty years, and for stone and brick houses to sixty years. And it was also decreed that while the lease lasted the holder could sell, mortgage or bequeath the property. But the stipulation was made that no family could own more than one building. At the same time it was enacted that newly-erected houses should be exempt from rates and taxes for ten years, and from all restrictions as to rents chargeable. Thus class discrimination in housing accommodation was abandoned so far as new houses were concerned.

Co-operative building societies, composed of members of trade unions and of the Communist Party, were given financial and other privileges by the state. But owing to the dearness of materials they made little progress. Only the better-paid workmen, earning not less than 50 rubles a month (£5), could afford to belong to them; and not more than 30 per cent. of the workers came within this category. Workers were required to pay back to any society to which they belonged a sum of 20 rubles (£2) monthly. But they could not possibly do so for, in most instances, their monthly wages were only 25 or 30 rubles (£2 10s. or £3).

The housing co-operative societies were continuously in financial difficulties. The following is the budget of a typical house property in Moscow, containing sixty-four flats occupied by 430 persons. The total rent for the month of March 1925 was 450 rubles (£45). Of that amount, three-fifths represented the rents of thirty-five residents belonging to the shopkeeping and professional classes; the remaining two-fifths formed the proportion payable by workers and employés. The actual sum collected from all the residents was 180 rubles (£18), the true value of which, after allowance had been made for depreciation caused by inflation, was 45 rubles (£4 10s.). This sum was barely sufficient to pay the meagre wages of the staff. Money was owing for

the collection of refuse, and none was available for lighting the staircase. The property, moreover, badly needed repair.

In 1928 the formation of private building companies was permitted. It was stipulated that these companies should have liberty to dispose of houses as they wished, that such houses should not be subjected to expropriation, that profits derived from rentals should be free of income tax, and that for the first three years no ground rent should be payable to the state.

Most of the housing measures described were intended to benefit the working-classes, but many of them had a quite contrary effect, whilst others proved unenforceable. Instead of favouring the proletariat, the regulation of rents on a class basis often discriminated against them. In houses where a large proportion of tenants consisted of workers who paid but little rent it was found that the revenue received was inadequate for current expenditure. As a consequence the management developed a dislike of proletarians, and endeavoured to replace them by representatives of other social categories legally liable to higher rentals. Commenting upon this and other aspects of the housing problem in its issue of June 13, 1923, the organ of the All Russian Central Committee of Trade Unions said: "The most painful problem for the mass of the workers is that of housing. There is not a town, not an industrial undertaking, in which the lack of habitable dwellings does not compel the worker to seek refuge in a cellar, a damp hovel, or filthy overcrowded hole, with all the objectionable features of the old barracks. In Moscow, it is enough to inspect one or two industrial undertakings chosen at random to realise the appalling situation. Tens and hundreds of apartments, given to the workers and their families during the October Revolution, are mysteriously returning to their former owners, to clever speculators, and representatives of the bourgeoisie. The workmen are in no position to contend with the Nepmen (speculators or newly rich), who, in

addition to their millions, possess influence in our own soviet institutions. To this shortage of dwellings and progressive thrusting back of the workers are added excessive rents and insanitary conditions. Buildings are not repaired in time, and consequently deteriorate and fall to pieces. In half the houses the drainage system is no longer working, and heaps of filth accumulate in the yards, and even in the dwellings themselves. It must be admitted that our industrial dwellings are beginning to resemble the barracks attached to the old factories which used to be simply an agglomeration of repulsive hovels."

In later years the Bolsheviks endeavoured to improve the housing of the workers. During five years ending 1927-28 one milliard rubles was expended for this purpose. But the increase of accommodation fell far short of the growth of population. Many new dwellings were carelessly constructed, and dilapidation soon set in. Workers' barracks inherited from the old régime still survived. Consequent upon the revolution, their condition, which was always bad, became abominable. The life led by their inhabitants was filthy and indecent. Quite near to Moscow were barrack-rooms in which lived several hundred persons, married and single. Beds, covered with mattresses stuffed with dirty rags, stood close together, and a family was never allotted more than one bed. In the Urals and elsewhere the workers slept on bare boards, and so tight was the overcrowding that even corridors and lavatories were occupied. Windows were broken, roofs leaked, and the floors were strewn with garbage. Workers other than those who dwelt in barracks were also abominably housed. Railwaymen complained that they were forced to live in cellars and old railway carriages. In 1929 some factory girls in Leningrad assembled at a meeting told tragic stories of existence in communal dwellings. One of them remarked: "Seventeen of us live in one room, bed to bed, so close that you can't squeeze yourself in. It's a filthy life. We're sick of one another. Straight from work to prison; that's our routine.... No

one reads books. We have only one newspaper, which we read by turns. Evening comes. Where to go? What to do? We have no clothes, no shoes. A girl is envied if some man comes and takes her out, takes her to the bar to drink—anywhere where there are lights and people. Under our communal house there is a bar. Next morning you feel as if a black cat were scratching your heart. If you don't drink, they say that you're capricious like a little 'bourjoui.' One man said to me: 'You drink well and everything will appear different around you, and your mug will look like Mary Pickford's, not Katya's.'

Overcrowding was generally much more frightful than under the Tsarist régime. Every inch of living space was taken up. Whereas in Western Europe the unit of calculation was a room, in Soviet Russia it was a square metre or a square arshin. According to the census of 1926, the living space of each individual residing in a flat or tenement declined from 6.3 square metres in 1923 to 5.9 square metres. The minimum prescribed by soviet law was 8 square metres—not much more than the area allotted for a grave. In towns where, as a consequence of the revolution, populations decreased, a larger living space than the average was possible. In Leningrad the average space was 8.7 square metres, in Kiev 7.1, in Odessa 7.4. But in a number of other towns it was less than the average, and was as low as 4.1 square metres.

In Moscow conditions were extremely bad. The living space for each individual among two-thirds of the population numbering 2 millions was from 2 to 5 square metres. Usually a room was shared by several people. The number of persons living in corridors, kitchens and bathrooms ran into thousands. Cases were reported in the Press of marriages, the inducement for which was the possession of a room by one of the parties. Yet even in Moscow money commanded accommodation; instances occurred where the payments of premiums up to several hundred pounds secured exclusive occupancy of flats.

It was the women who suffered most from over-crowding. Often twenty or more distraught housewives, around whom hungry children clustered, used the same kitchen. Each had her own Primus stove. Roaring flame, frizzling food, and screeching voices made up a deafening noise. Hysterical scenes were of common occurrence. The women got in one another's way ; from quite trivial causes quarrels began ; sometimes there were free fights, in which pans were the weapons and their hot contents the missiles. Rarely a day passed without the president of the house soviet being summoned to the kitchen to settle a dispute. Where gas was installed, a tenant having made use of it was supposed to read the meter and inscribe on a card how much gas had been consumed. It often happened that no sooner had she discharged this duty than a neighbour crept out from somewhere and critically examined the card. If she suspected a false figure, then there was a noisy scene.

Apart from the multitude of such petty annoyances, sufficient in themselves to make life unbearable, the perpetual fear of eviction hung over the population. Any day a tenant might come home and find that his living space had been allotted to another person, and that his belongings had already been moved out.

Overcrowding was vividly reflected in the criminal statistics. Offences against the individual increased both absolutely and relatively. Offences by women largely accounted for this increase. In numerous instances people took the law into their own hands, denied entry to rightful tenants or threw out the occupants of rooms, and seized their possessions.

## CHAPTER XXXIX

COLLECTIVISATION OF AGRICULTURE—RAPID DECLINE OF PRIVATE TRADE—EXTREME SCARCITY OF MANUFACTURED GOODS—PECULIARITIES OF THE CURRENCY SYSTEM—GROWTH OF FIXED CAPITAL—POOR QUALITY OF STATE COMMODITIES—BIG REVENUE FROM FORESTS AND FROM THE VODKA MONOPOLY—HEAVY LOSSES ON NATIONALISED INDUSTRY (1927—1928).

TOWARDS the end of 1927 the government had repressed all opposition, and had determined its policy for the future. Industrialisation was its primary aim. At the same time the collectivisation and mechanisation of agriculture were to be vigorously pursued. The question of compulsion had not yet arisen; the peasants were to be peacefully persuaded to socialise themselves.

The grain harvest of 1927 had been moderate. It amounted to about 4,460 million poods, 300 million poods below the harvest of the preceding year, 1,000 million poods below the average harvest during the period immediately preceding the war. But the peasants gave up only one-seventh of the harvest for the market, or about 555 million poods, a quantity only 3,500 poods less than was marketed in the previous year, but half that marketed prior to the War. Only 124 million poods were exported, about one-fifth of the quantity exported in the years immediately preceding 1913. The amount of wheat exported was seven million poods, about one thirtieth of that exported in 1913. Prior to the War Russia produced and exported more wheat than any other nation and was second only

to the United States as regards the production of cereals of all kinds.

Data published by the Central Statistical Bureau in the *Economic Review* of June 1928 showed that the state farms (Sovhoses) and the collective farms (Kolhoses) contributed only 2 per cent. of the total harvest of cereals, and marketed less than 186,000 poods. Numerous projects had been prepared for ploughing up vast tracts and converting them into collective farms. But few of these projects came to anything.

During 1928 as a consequence of the shrinking of exports the quantity of grain available for home consumption was almost equal to that which had been available for the same purpose in pre-war days. Yet a shortage of food which at times became acute was experienced. In the course of the year the surface sown with cereals diminished from 238 to 231 million acres. Crops failed in the Ukraine and in July and August, on the eve of the new harvest, the Government was compelled to import 15½ million poods of grain in order to provide bread for the town population.

Thousands of people carrying sacks journeyed great distances in search of supplies. In the towns from early dawn, long before doors were opened, three-deep columns of women of all ages stretched from provision shops along the frontage of several neighbouring blocks of buildings. At times the temperature was twenty or thirty degrees below freezing point. In many places the prices of bread soared. In Moscow and Leningrad rationing was again introduced, with quantities graduated on a class basis. All these events carried the memory back to the frightful days of Communism, and created a sinister impression.

National economy was progressing, but in an unbalanced manner. Whereas during 1927-28 the value of agricultural production as a whole increased but slightly, that of industrial production was 16 per cent.

higher than in the preceding year and 10 per cent. higher than in 1913. Yet had the system functioned as smoothly as it was intended to function the masses might have been moderately well off. In reality their state was little better than it had been in the earlier days of the New Policy. The truth was that a crisis characteristic of soviet conditions had recurred. There was sufficient food in the country, but not enough of it was marketed. A little less grain had been extracted from the peasant than in the year before, and, as usual, distribution was bad. When murmurings were heard amongst the workers of Moscow, the Bolshevik leaders declared that the grain supplies in the city were larger than those of the previous year, but that they had been cornered by "rascally speculators." Thus they sought to shift the blame for the scarcity of bread from themselves to the private trader. But shortage was not confined to bread; milk, butter and cheese were also lacking. The reason was that in order to make up for the deficiency in grain exports the government sent abroad increased quantities of dairy produce, thus wilfully subjecting the population to privation in order to secure foreign currency. Even so foreign trade for the year resulted in an adverse balance which, calculated at current prices, amounted to about 200 million rubles.

Meat was the only food commodity of importance which was not scarce. But this circumstance was not due to soviet efficiency. On the contrary, it was a consequence of soviet maladministration. The peasants recklessly slaughtered their cattle that they might raise money for the payment of taxes and the purchase of necessary articles, or as a means of deliberately impoverishing themselves that they might not be taken for kulaks. Since the abundance of meat was the result of a massacre of cattle, it was a certain forerunner of shortage. Often under soviet conditions it had been demonstrated that plenitude could be almost as catastrophic as scarcity.

There was also marked shortage of commodities other than foodstuffs. During the whole of the winter, for instance, flannel was unobtainable; not rarely in Russia seasonable goods were procurable out of season and un procurable in season.

Whenever the supply of any particular commodity ran short, its sale on the open market was prohibited. Thenceforth it could be acquired only through the medium of co-operative societies or credit vouchers issued by factories. This measure was designed to prevent the bourgeoisie from making purchases, but it exercised a like restraint upon peasants visiting the towns to buy necessary articles for themselves; an unforeseen circumstance which occasioned much friction. Shopping became an exasperating occupation. Hours were often spent in searching for the simplest articles. When these were not procurable in state shops, or when they were so scarce as to be reserved exclusively for the privileged class, then there was always a hope that they might be obtained in some private shop. The discovery of the particular shop which stocked the desired article was not easy; often it involved many inquiries, and sometimes a journey to the farthest end of the town. Always on such occasions high prices had to be paid; usually the trader secured the sought-for goods by bribing state officials, and his charges necessarily covered these payments, in addition to which he required a substantial profit for himself. Occasionally a rumour spread that a much-needed article was to be found in a certain shop. Immediately there was a rush of customers to the indicated establishment, and in a short time it was cleaned out.

As in previous years, fresh disabilities were imposed upon private traders. Owing to the scarcity of flour, sugar, textiles or footwear, they were not allowed to acquire these commodities wholesale. Consequently, many of them had to close their shops. In face of rising prices, the co-operative and state undertakings sold

articles at below cost price, and many of them incurred heavy losses.

The decline of private trade was rapid. Of all the wholesale trade of the Soviet Union it accounted for only 1·4 per cent. in 1927-28, compared with 8·2 per cent. in 1924-25 and 25 per cent. in 1923; and of all the retail trade for 24·1 per cent. in 1927-28, compared with 45·9 per cent. in 1924-25 and 83 per cent. in 1923. In 1927-28 90,000 shops closed.

In reality, the Bolsheviks were so situated that no matter how they acted no good could result. The logic of their creed forced them to destroy private traders, the active distributors of commodities, and kulaks, the largest producers of food. But owing to incompetence the state apparatus could not take the place of those whom it eliminated. Thus the mechanism of production and distribution was wilfully damaged before a proficient substitute could be made ready. It is in the Russian character to destroy that of which it disapproves, having nothing wherewith to effect replacement and caring nothing for any discomfort that may follow.

Apart from defective distribution, what caused the chronic disequilibrium between supply and demand which disorganised soviet life and provoked so much misery? The answer of the Bolshevik leaders was the familiar assertion that purchasing power greatly exceeded the supply of goods. But they mistook paper for power. Each year the people acquired more currency notes, of which the purchasing power remained slender, because manufactured commodities continued to be scarce. This scarcity was to some extent the consequence of more capital being devoted to constructive than to immediately productive schemes, to the creation of means of production rather than to production itself. It was especially noticeable during the season when building operations were possible. Neither the budget nor the banks could then advance sufficient funds for these operations, and the necessary margin had therefore to be provided by currency

emission. Since no compensatory increase in the fund of manufactured commodities was forthcoming at the moment, inflationary effects could not be avoided, and an increase in prices took place. Later, when the new means of production were set to work, the fund of manufactured commodities was expanded, but never sufficiently to overtake the expansion of currency. Such expansion, moreover, never coincided with the marketing of the bulk of agricultural produce. From this circumstance the Bolsheviks argued that, although industrial output grew continuously, it could never catch up the purchasing power of the peasantry. Yet even had this assertion been true, it could hardly have been taken as a tribute to socialism. The peasants were individualists, and whatever purchasing power they possessed arose from that fact. On the other hand, the state whose industry could not supply them with a sufficiency of commodities was a socialist state. But the assertion of the Bolsheviks was not true. The value of the ruble, and with it the purchasing power of all classes, was steadily falling. However much the peasants produced—and their production of commodities of all kinds was equal to pre-war level—they had little incentive to market it. Naturally, they preferred to hold back their produce rather than exchange it for paper. Hence they confined their purchases largely to necessities, the demand for which automatically expanded during the season when they disposed of their grain. At such a time state industry never could bring forth a sufficiency even of simple homely goods to satisfy their plain wants.

Under any other régime the malady of inflation would have shown itself in a severe form, and prices would have risen to great heights, compelling either rigid economy or the printing of still larger quantities of paper money in attempting to keep up with the growing cost of living. But the soviet state exercised some control over the prices of staple commodities; consequently depreciation was kept within certain bounds.

The government derived satisfaction from the fact that, however much the currency increased, the official index of prices showed but little change. The citizen was disappointed whenever he found the state shops empty, but on other occasions when he visited them and was able to make purchases he was happy to learn that, although his money had lost some value, it still had purchasing power. Thus an ingenious method was discovered for inducing men to work in return for paper currency of intermittent and conditional value, currency, the theoretical value of which was determined in relation to the prices of non-existent goods, the actual value of which was frequently nil, because goods were unobtainable. While the capitalist system produced an excess of commodities and gave rise to an insufficiency of purchasing power, the soviet system produced an excess of purchasing media and an insufficiency of commodities.

Nevertheless the Bolshevik leaders persisted in saying that not merely was demand greatly in excess of supply, but that industrial production was now growing at a much faster rate than the population was increasing. It is necessary to submit this claim to detailed examination, for upon it rested the whole case for Bolshevism. Examination reveals a growth of production as regards some commodities only; with reference to others there was a decline of production. Frequently an increase in the production of a commodity was accompanied by a disproportionate reduction in the amount of it imported. Thus, although the population benefited from additional employment, the increase in the amount of goods in circulation was not always so large as Bolshevik statistics suggested.

Nor could it be said that growth in the aggregate of production was indicative of the enjoyment by the population of a reasonably comfortable standard of living. Various modifying factors needed to be considered; some of these have already been enumerated. Others depended upon the nature of the commodities produced,

those the output of which had fallen as well as of those the output of which had risen. The second category will be discussed first.

During 1927-28 the increase in fuel production had been considerable. Seven and a half million more tons of coal were mined than in 1913. Imports of coal, which in this pre-war year amounted to 4½ million tons, ceased altogether; and a quarter of a million tons were exported. The production of petroleum was a quarter and the exports three-fold more than in 1913.

Remarkable was the increase during the same period in the output of peat, calculated at as much as 430 per cent. In the utilisation of this particular fuel Russian scientists had done much pioneering work. The phenomenal growth in the production of peat was due to the largeness of its consumption at electric power stations. Between 1913 and 1928 the generation of electric power increased by 259 per cent. The Bolsheviks declared that no other nation had achieved so much within so short a time. To this the answer was, that in an epoch of electrification statistics showing comparative quantities of power produced by various countries furnish a truer index of their progress than percentage statistics showing periodic increases reckoned from low starting points. Only by such a realistic standard could Russia's achievement be gauged. In 1927-28 the production of electric power in Soviet Russia was 5,000 million kilowatt hours, a total equal to one-eighteenth of that in the United States, one-seventh of that in Germany, and no more than a quarter of a million kilowatt hours in excess of that of Belgium. That Russia's progress was creditable was not questioned; but it was certainly not sufficient to justify Stalin's assertion that, "our socialist industry overtakes and surpasses the development of the industry of capitalist countries."

More apparent was the absurdity of such a boast when the state of the iron and steel industry was considered. In 1927-28 the production of iron ore was 62·0 per

cent., of manganese ore 56.6 per cent., of pig iron 78.6 per cent., of steel ingots 95.2 per cent. of the production for 1913. Apart from coal, all mining industries lagged behind pre-war development. The production of gold, silver, platinum and copper remained substantially less than in 1913.

The output of machinery showed some progress. How much scope there was for improvement here may be judged from the following extract from an official publication, entitled "Five-Year Development Plan."<sup>1</sup> "According to the most conservative estimates, nearly one-half of the boiler resources of soviet industry (*i.e.*, about 800,000 square metres of heating surface) is at the present time both obsolete and deteriorated. In addition, about one-half of the total number of motors in industry (*i.e.*, about 700,000 horse power), is obsolete."

Between 1913 and 1927-28 home production of agricultural machines and implements nearly doubled; and imports declined almost to a corresponding extent. The means of production in operation had not expanded on a scale sufficient to bring about an all-round improvement in the situation. The output of articles of common consumption progressed unevenly. Official figures showed the following higher percentages of production over 1913 as regards certain commodities: cotton fabrics, 21 per cent.; woollen fabrics, 2 per cent.; granulated sugar, 3 per cent.; salt, 16 per cent.; goloshes, 32 per cent. But five commodities represented but a small proportion of the total which the masses normally consumed. Of the remainder there was usually a shortage which at times became extreme.

The increase in the production of articles not intended for common consumption more than made up for the decrease in those intended for common consumption. It was true therefore that the total output of industry exceeded that of pre-war and was expanding at a faster

<sup>1</sup> "Five Year Development Plan," by the Præsidium of the State Planning Department. (George Allen & Unwin.)

rate than the population was increasing. Nevertheless, the fact remained that of ordinary commodities indispensable for civilised existence there was an insufficiency and sometimes a famine.

A factor contributing to this scarcity was the marked decline of imports, the value of which in 1927-28 at pre-war prices was 600 million rubles less than in 1913. Reductions were largest in the case of food-stuffs and luxuries. Imports of tea and cigars, for example, accounted for but a third of those in 1910. Small amounts of foreign delicacies were imported for consumption chiefly at official banquets. The imports of herrings, the favourite food of the people, sank to a tenth of the pre-war total. Fancy-dress materials and articles of adornment were rarely brought into the country. The following extracts are taken from the official lists of imports for 1927-28: silk and semi-silk fabrics, 3 tons; tulle, lace and embroidery, 0.1 ton. A flourishing contraband trade partially made up for the insufficiency of imports.

In 1927-28 exports expressed in pre-war prices were more than 1 million rubles below the value of imports, and 9 million rubles below the average value of imports during the 1909-13 period. The character of exports showed no marked change; two-thirds consisted of agricultural, one-third of industrial commodities. But cereals, which before 1914 had accounted for nearly half, now accounted for only a quarter of Russia's export trade. Export of wood and timber declined to half the amount of pre-war days, when Russia supplied 37 per cent. of the world's requirements.

Amongst the commodities the exports of which increased, the most notable were petroleum products, the value of which represented one-seventh of the total value of all exports. The additional 1,900,000 tons of oil produced over and above the total of 1913 all went to swell exports.

The home consumption of motor spirit was small.

Soviet Russia possessed only 18,000 motor-cars, one to every 8,000 persons compared with one to every four persons in the United States.

Having examined Russia's industrial production and her imports and exports, the reason for the scarcity of goods of common consumption becomes plain. These goods were essential for tolerable existence, and insufficiency of them bore particularly hard upon the masses. Since the growth of production did not promote the general welfare, then what purpose did it serve? The only answer possible was that the present was sacrificed in the hope that the future might be prosperous.

During 1928 three of the highest authorities in the land—the Council of Commissars, the Council of Labour and Defence and the State Planning Department—investigated the problem of the disequilibrium between supply and demand. The conclusion which they reached was the only one possible in the circumstances, that a solution would involve lowering of the incomes of the urban population. This declaration was an admission that the workers were receiving more money than they were entitled to receive. Yet it would have been illusory to think that on this account they were well off, for, as we have seen, the purchasing power of the ruble was frequently in suspense. The government had not the courage to reduce the wages of the proletariat. Rather than risk their discontent it preferred to continue to practise deception upon them, paying out more and more rubles, although the scarcity of many commodities was growing.

One school of soviet economists advocated that pressure upon the peasants should be increased, mainly through the instrumentality of taxation, so that they should be forced to dispose of their products at still lower prices. But pressure of this kind had been in operation since 1926. As a consequence, the purchasing power of agricultural produce in relation to manufactured commodities was little more than a quarter of that in

pre-war times, whereas in other countries it was 70 to 90 per cent. Exercising monopolist privileges, the state lowered the prices of agricultural products by raising those of industrial products, and the peasants had no recourse but to take what was offered to them, striving at the same time to evade as much as possible the demands of the official grain-collectors.

Again the rate by which national income (or the value of national production) increased was greater than that by which national income had increased in capitalist countries before the war; again the proportion of national income diverted to national accumulation, that is converted into fixed and circulating capital, was larger than the proportion so diverted in capitalist countries before the war. But the growth of national income and of national accumulation conferred no benefit upon the people; on the contrary, it was only rendered possible because they were required to suffer terrible privation.

According to the State Planning Department, the amount of fixed capital in all branches of national economy calculated in 1926-27 prices increased from 49,321·4 million rubles in 1925-26 to 70,154 million rubles in 1927-28.<sup>1</sup> This fixed capital was composed of factories, plant, agricultural machinery and implements, urban houses, docks, ships, municipal undertakings, and all the property administered by the various government departments, including those in control of industry, commerce, transport, posts, telegraphs, health and education. Of the total accumulation of fixed capital in 1927-28 agriculture claimed nearly a quarter. Private enterprise possessed almost as much as the socialised state, the relative amounts being 33,170 million and 35,786 million rubles. The small margin left over (1,198 million rubles) belonged to the co-operative organisations. The foregoing figures were vividly illustrative of actualities in

<sup>1</sup> If calculated in pre-war prices these totals, and the subsequent figures relating to them, would be reduced by about half.

Soviet Russia. The state had socialised but half of the fixed capital; the other half was owned by individuals, most of whom were peasants. Less than 20 per cent. of the population was engaged in socialised undertakings of a productive character.

An increase of fixed capital to the extent of 20,000 million rubles in three years was substantial. But of that sum industry accounted only for 2,000 million rubles. Several important questions arose from this fact.

Were the factories of which fixed capital largely consisted efficient or not? Was the quality of the commodities which they produced good or bad?

Many factories were erected in regions distant from railways, and destitute of water and raw material. Frequently no provision whatsoever was made for housing workers. Usually the actual cost of construction was three times in excess of preliminary estimates. *The Economic Journal* of July 1928 mentioned that the All-Ukrainian Conference of Metallurgists reported that, whereas the cost of reconstructing the Kerchinski factory had been estimated at 18 million rubles (£1,800,000), it was clear that the ultimate cost would be at least 50 million rubles (£5,000,000); that, whereas the estimates of the Pipe Guild for the manufacture of a quantity of pipes at the Mariupolski factory were 6 million rubles (£600,000), the actual cost would prove to be 20 million rubles (£2,000,000).

Whilst in a German publication entitled "Economic Work in the Soviet Union," Mr. Krjjanovski, the President of the State Planning Department, was declaring that the organisation and planning of electrification in Russia were incomparably superior to anything known in the capitalist countries, a report of the Workers' and Peasants' Inspection Department, published in *Economic Life* of May 1928, said: "No thoroughly prepared plan of electrification exists. In no instance were plans or calculations ready when the construction of an electric station was begun. Always costs of construction were

higher than the estimates. All stations were badly equipped. Construction work proceeded slowly. Not a single region-station was built in less than four years. Complete lack of organisation and disregard of economic prudence were observable; indeed, everything was in chaos."

Evidence was also forthcoming regarding the extravagance with which materials were disposed of. At the All-Ukrainian Conference of Metallurgists, according to a second report, published in *Economic Life*, it was stated that out of equipment ordered to the value of 28 million rubles, only a quantity to the value of 8,675,000 rubles had been delivered, of which not more than 1,679,000 rubles worth had been used.

Equipment was recklessly ordered without heed to plan and even without the signature of a responsible person. When it arrived on the spot no one knew from whence or for what purpose it had come. Much more material was used than requirement warranted. Walls were made excessively thick; windows excessively high. Machines were constructed of greater power than was necessary. It was not surprising that the official index of the cost of construction should have been 2·7 and sometimes three times higher than that of pre-war times. Owing to work not being completed within the allotted period, considerable capital remained unused.

Wastefulness appeared to be inherent in the soviet system which, unlike the capitalist system, was not immediately and primarily concerned with the earning of profit, and which could cover its losses by drawing without limit upon the wealth of the peasants. The knowledge that they acted for a state whose resources were so vast encouraged officials to squander money, to indulge in fanciful projects, and sometimes to make doubly sure of the success of their own achievement by using more material than was technically essential or economically justifiable.

The quality of most articles manufactured by state

industry was inferior. Textile fabrics quickly wore out. They were often faultily weaved and tore easily. Some of them were burnt in patches owing to careless printing, and dyes invariably faded or washed out. Complaints were rife as to the poor quality of metallurgical production. The railway management frequently reported that the quality of the rails delivered to them was defective, and factories complained of pipes intended to withstand a pressure of twenty atmospheres bursting with a pressure of one and a half atmospheres. It was also said that bricks were deformed, and that 80 per cent. of them broke in the hands of the layers, that glass was full of bubbles, that matches would not light, that furniture soon broke into pieces, and that boots and shoes were so badly made that the heels frequently fell off.

The question remained to be answered: was the growth of fixed capital due to socialist accumulation? If not, whence came the means that effected it?

Did socialist production pay its way? If the growth of fixed capital was accompanied by the insolvency of industry, then it could not be regarded as an indication of progress.

It is necessary to repeat that the chief sources of state funds were the following: proceeds of foreign trade, gold reserve, savings of the people, socialised enterprise, taxation, and inflation.

With regard to the first source, the balance of foreign trade, as has already been shown, was more often than not against Russia. Hardly a single commodity existed of which it could not be said that at some time or other it had been exported at a loss.

With regard to the second source—the gold reserve,—incomplete information was available, but the following comparative details enable an idea to be formed as to the extent of its exhaustion: In 1913, the year preceding the war, the gold reserve of the State Bank amounted to 1,555 million rubles (£155,500,000) and the note issue

to 1,495 million rubles. The corresponding totals for 1928 were 291 million rubles (£29,100,000) and 1,090 million rubles. Since 1926 there had been an addition of 38 million rubles (£3,800,000) to the gold reserve and a diminution in the note issue of 90 million rubles.

With regard to the third source, deposits in savings banks remained considerably below pre-war total. The comparative figures were as follows : 1914, 1,448,914,000 rubles ; 1928, 315 million rubles. It must be borne in mind that in the latter year the ruble had depreciated to half its pre-war value.

The last two sources, socialised enterprise and taxation, involve examination of the state budget.

In the budget for 1927-28, state industry contributed 250 million rubles (£25,000,000) to the revenue and took from it 630 million rubles (£63,000,000). Although some of the latter was doubtless required for reconstruction purposes, still more was needed to make up for losses incurred. The fact was that soviet industry showed an ever-increasing deficit. In addition to industry, certain other state enterprises appeared on the revenue side. One remarkable contrast struck the eye. Whereas nationalised commerce yielded only 34 million rubles (£3,400,000) and banks 80 million rubles (£8,000,000), the return from nationalised forests was set down at 240 million rubles (£24,000,000), or nearly as much as was said to result from the whole of state industry. This sum was the measure of the exploitation of one of Russia's most valuable natural resources. In 1912, under the Tsarist régime, the revenue received from the same source was two-thirds lower than that received under the Bolshevik régime.

Half the revenue of the budget in 1927-28 was raised by taxation, of which the larger part was indirect taxation, which bore particularly hard upon the masses, inasmuch as it was imposed upon articles of common consumption, such as tobacco, matches, sugar, alcoholic liquors, tea and textiles. Each year the revenue from the state vodka

monopoly increased. In 1927-28 it reached 640 million rubles (£64,000,000), twice as much as that from all socialised industries. Stalin said: "If we cannot get any loans, if we suffer from lack of capital and if we do not wish to become the enslaved debtors of the western capitalists, or to grant concessions on the humiliating terms proposed to us, then we must find other sources of income. We have to choose between debt enslavement and vodka. Those who think that it is possible to build up socialism in white kid gloves make a great mistake."

Foreign concessions contributed little to the budget—only 30 million rubles (£3,000,000) in 1927-28, or half the sum obtained in 1925. The decline of income from this source was not surprising. Foreign undertakings found it almost impossible to work successfully in the atmosphere of envy and distrust which surrounded them from the moment when they began operations in Russia, and which in many instances proved to be a prelude to persecution, or suppression.

The revenue from the various sources mentioned fell short of needs. The deficiency was made up by borrowings. In 1927-28 the amount so raised was 700 million rubles (£70,000,000). Yet it would be wrong to draw conclusions favourable to the credit of the soviet government. For those loans which were not lottery loans were secured by pressure upon the population.

The foregoing figures show that after eleven years of proletarian dictatorship socialised enterprise was still a helpless dependant of private enterprise. The expenditure of the state was covered not by revenue from state enterprise, but by revenue from private enterprise—in other words, from the proceeds of confiscatory taxation—and from forced loans. Had prices not been manipulated heedless of supply and demand, the deficit on state industry would have been considerably larger. Of what avail was the growth of fixed capital when it was only made possible by plunder and when it was wholly unproductive of clear profit to the state?

During 1927-28 important decisions were taken concerning soviet credits. Hitherto credits, both short-term and long-term, had been mainly the affair of the State Bank. Other banks, notably the Bank of Trade and Industry, also afforded credit facilities. Consequently overlapping and competition were unavoidable.

Administrators of nationalised industry were dissatisfied with the manner in which the State Bank made use of its financial hegemony. They considered that it was niggardly with credits, and at one time urged that its functions should be restricted to those of a bank of issue, and that the financing of industry should be wholly entrusted to the Bank of Trade and Industry, the principal shareholders of which were the trusts, and the Supreme Economic Council which controlled the trusts. The opposition within the Communist Party upheld this point of view, saying that the dictatorship of finance should belong to industry, and that the guiding hand should be, not the Commissariat of Finance but the State Planning Department, which planned the whole economy of the country.

In 1927 the reform of the credit system began. In order to put an end to competition, clients were divided up into categories, each of which was allotted to the credit institution suited to its needs. The functions of all institutions were defined and the powers of the State Bank extended.

In 1928, on the eve of the operation of the Five-Year Plan, the separation of long-term and short-term credits was decided upon. Short-term credits were to be allocated to the State Bank. In place of the Bank of Trade and Industry, a new bank was to be created, the Long-term Credits Bank for Industry and Electrification, the function of which, as its name implied, was to furnish all long-term credits. Thus in a measure the dictatorship of finance passed to industry.

The resources of the new bank were to consist of assets inherited from institutions which it supplanted,

of the deposits of the state trusts, and of grants from budget revenues.

Exceptionally interesting were the reasons advanced for the change of policy alluded to. Briefly, they were as follows: the methods of soviet banks in the past were merely an imitation of the methods of capitalist banks. Credits, largely based upon the discounting of bills, were utilised to regulate both production and distribution, facilities being granted or withheld, accordingly as it was desired to encourage or discourage particular industries. The growth of socialism and the elimination of private capital necessitated revision of this procedure. To an ever-increasing extent planning regulated trading and industrial activity; consequently "the mechanical devices provided by the banking system for regulating production and distribution became superfluous." The Five-Year Plan would fix the volume of production for all industrial and commercial units. It would therefore be the true regulator of economic life, and the provision of credit would become a part of the general economic plan.

Bolshevik perversity was strikingly revealed in a series of incidents which occurred during 1928. Lenin had said that one specialist was worth ten communists. In March, having this counsel in mind, the soviet government invited foreign specialists to enter its service, promising them liberal treatment in return. A few days later it announced the discovery of a conspiracy to destroy coal-mines in the Donets Basin, in which a number of Russian and three German engineers were implicated. In July a spectacular trial was staged, as a consequence of which eleven Russians were sentenced to death, and of the three accused Germans, two were acquitted, and one was sentenced to a year's conditional imprisonment. At the same time an inflammatory agitation was waged against specialists in general, the charge of sabotage being levelled against them. In October the culminating episode in this strange sequence of events occurred. An

offer was made to European and American capitalists of concessions, the capital equivalent of which was estimated at £300,000,000. Although the range of enterprises was much enlarged, the terms stipulated differed in no essential respect from those which had been prescribed before, and the acceptance of which had involved many concessionaires in heavy losses.

## CHAPTER XL

### A REVIEW OF AGRICULTURE—HOW LAND WAS NATIONALISED —DIVIDING THE HOLDINGS OF RICH PEASANTS—THE PASSION FOR EQUALISATION—NEED FOR LAND GREATER THAN EVER—PRIMITIVE METHODS OF CULTIVATION— (1917-28).

IN 1928 the Communist Party decided to hasten the collectivisation of agriculture, a process which had been allowed to slow down since 1921, when the New Policy was introduced. This decision opened up an entirely new phase in the revolution. For that reason the present and the two following chapters will be devoted to a review of agriculture under the soviet régime beginning from 1917, the year when the Bolsheviks seized power, and ending with 1928, the year when it was resolved energetically to resume collectivisation.

On November 8, 1917, the Bolshevik Government issued a decree abolishing titles to large estates and lands belonging to church and state. The exclusion in this decree of the lands of peasants and Cossacks was expressly stipulated. It was laid down that the final decision regarding the land should rest with the Constituent Assembly, the summoning of which had been agreed to by all parties. Meanwhile, formal instructions were issued for the guidance of the population. In these instructions it was declared that all land, including that of the peasants, should become national property. At the same time conditions were prescribed which amounted in principle to re-affirmation of individual ownership. Although selling, leasing, and renting were prohibited, it was provided that only physical disability should

deprive a peasant of the right to use land. Hiring of labour was prohibited. Redistribution was to take place in accordance with local conditions and normal units of labour and food consumption. All citizens were to have the right to work the land, whether as individuals or as members of families or of communal associations. Repartition was to take place as required by the growth of population, increase of production or development of rural economy.

These instructions were confirmed by a decree dated February 19, 1918. In the decree, as in the instructions, there was no mention of the Constituent Assembly, which by this time had been convoked and dissolved.

Thus at the start the Bolsheviks practised deception upon the peasants. In one document they decreed that only large estates should be confiscated, the last word as to the disposal of the land being left to the Constituent Assembly. But in a second document, promulgated simultaneously, they included the peasants' holdings in the confiscatory measure and, whilst declaring the whole of the land to be national property, gave instructions for its redistribution without making any mention of the Constituent Assembly. Later, when they found that they could dispense with the Constituent Assembly, the instructions which had been represented as merely advisory were incorporated in the form of a decree which rendered them forcible in law. Yet the situation remained indefinite. The land was the property of the nation and at the same time of the peasant. It was both socialised and individualised. Thus, whilst placating the peasants, the government reserved liberty of action for itself.

In reality the Bolsheviks were as desirous of socialising land as they were of socialising industry. But they knew that any attempts to do so would be impracticable. The controlling of 10 or 15 million inhabitants of the towns might be possible, but the disciplining of 120 million peasants was a task too large and terrifying even for

Marxian megalomaniacs. Without the peasants' support power could neither have been seized nor held. And the only condition on which this support could be retained was that the land should be handed over to their possession. Acquiescence implied partial acceptance of the policy of a rival party, the Social Revolutionaries, and led to the participation of some members of the left wing of this party in the Bolshevik government.

Soviet estimates of the amount of land confiscated from the large proprietors vary from 40 to 60 million dessiatins. Buharin and Preobrajenski, in presenting the last figure, added that "before the revolution, privately owned land, and especially that in the possession of the large landowners, was heavily embarrassed. Over 60 million dessiatins were mortgaged for a total sum of £349,789,460. In other words, the real owners were the Russian and foreign banks." Such figures hardly supported the assertion of Bolshevik propagandists that the landowners had become enormously wealthy by exploitation of the peasantry.

The Bolsheviks had ordained that local administrative bodies should take charge of the distribution of confiscated lands. But in many regions these bodies were non-existent. Generally speaking, the peasants were disinclined to delegate so vitally important a task as land allotment to a few amongst themselves. The Social Revolutionaries had imagined that when the revolution would occur Russia would be transformed into a vast commune, periodical redistribution of land taking place on a basis of equality; and the Bolsheviks, as we have seen, in search of a compromise which would satisfy the peasants, accepted this vision as their own and transformed it into a policy.

The peasants failed to fulfil the politicians' dream. Rarely was *all* land partitioned, either that of the peasants or that of the nobility. Usually each village acted of its own accord and in its own interest, having regard for neither the requirements of neighbouring

villages nor those of the region to which it belonged. The estates were divided up equally amongst the inhabitants; rich as well as poor receiving their due portion. As a consequence some villages had more land than they could conveniently cultivate, whilst others found themselves no better off than they had been before the revolution. Thus one set of anomalies was substituted for another. In many instances the peasants made a practice of seizing estates on which their ancestors had been serfs before the emancipation in 1861, and at once they divided up these estates amongst themselves, forcibly excluding all others from participation in the spoils. Many communities shared out the expropriated lands proportionately to the amount already in the possession of each household; thus to those that had much, more was given.

After the landowner had been exterminated but a short time elapsed before he was replaced by a new object of envy—the wealthier peasants. Although the agrarian policy represented a compromise with the principles of Bolshevism, enmity towards capitalism remained the guiding inspiration of the revolution. Factory workers returning to the village from the towns stimulated this enmity. The Bolshevik leaders also encouraged it. They organised the poor peasants and gave them power over the rich. An evil passion for land redistribution spread, and in this redistribution the wealthier peasants were dispossessed as the landowners before had been dispossessed.<sup>1</sup> Inequalities were diminished within each community, but remained unaffected as between community and community, for in most instances the land of

<sup>1</sup> "To begin with, the situation was characterised by a mass attack on the part of the peasantry against the rule of the landowners. The poor peasants and the kulaks marched shoulder to shoulder against the landowners, although, of course, the two sections had different motives; for the kulaks wanted to take the land away from the landowners and thus to enlarge their farms. Then the conflict of interests and aspirations as between the kulaks and the poor peasants came to light." (Lenin, April 9, 1921.)

the rich peasants was divided up, as had been that of the nobility, amongst the inhabitants of separate villages.

It was claimed by the Bolsheviks that the agrarian revolution conferred incalculable benefits upon the peasantry. Statistics were presented by Mr. Molotov at the XV Congress of the Communist Party in 1926 to show how land distribution under Tsarism compared with that under Bolshevism. According to these statistics, before the revolution the rich peasants owned 40 million dessiatins, and the poor and middle classes between them 60 million dessiatins. As a consequence of the agrarian revolution, 40 million dessiatins were seized from the landowners and the church; hence the total area in possession of the peasants was increased from 100 million to 140 million dessiatins. Subsequently the lands of the rich peasants were seized and divided, and the proportions then became as follows: rich peasants retained 4 million dessiatins, poor and middle peasants came to possess in all 136 million dessiatins. Thus the total area in possession of the two lower categories was more than doubled. In addition to the expropriations mentioned, 10 million dessiatins of Tsarist state lands were confiscated, but these were largely composed of forests and passed to the control of the new government.

In reality, results were not so favourable to the poor and middle peasants as Mr. Molotov's calculations supposed. If, for instance, arable land only had been taken into the reckoning, then it would have been found that their gain was small; for, according to Professor Litoshenko, when the revolution occurred nearly 90 per cent. of the arable surface of European Russia had already passed from large proprietorship to small proprietorship—in other words, from the landlords to the peasants. Leaving out of consideration this fact, and taking into account land of all kinds, the effects of the revolution proved to be extremely varied. In some instances the increase in the size of holdings was considerable, in others negligible. The following is an extract from "An

Outline of the Work of the People's Commissariat of Agriculture from 1917 to 1920," by B. Knipovich.

"The results of the partition of the land were much less significant than had been expected. The enormous amount of land, when distributed among many millions, gave very poor results. A special inquiry by the Central Section of Land Organisation showed that in some places the increase of area per capita was expressible in infinitesimal figures: tenths and even hundredths of a dessiatin. In the majority of provinces the increase did not exceed half a dessiatin."

Commenting upon this extract, Professor Prokopovich said: "In twenty-nine provinces of European Russia before the revolution there were 1.87 dessiatins per consumer; after the revolution 2.26 dessiatins, *i.e.*, an increase of 0.39 dessiatins, or 20 per cent. This addition is so insignificant that we may well ask ourselves if there is any reason to be proud of the results of the agrarian revolution."

The repeated division of the land created a multitude of dwarf households. The extent to which their multiplication was carried may be illustrated by a few statistics. In 1905 the number of peasant households was 12,278,000. By 1913, the year before the war, it had increased to 15 millions. Soon after the revolution it reached 22 millions; in 1926-27 it was 25 millions, with a total population of 127,757,300, and in 1928 25½ millions, with a total population of 129,150,000. Whereas in 1905 the percentage of peasants cultivating less than 22 acres was fifty, in 1925 (eight years after the revolution) it was eighty-six. This circumstance was not alone due to the frequent redistribution of the land. It was also partially accounted for by the natural increase in the population. Nothing could illustrate more vividly the desperate situation of the average Russian peasant than that after a revolution in which the large estates were divided up his need for land should have become greater than it was before. Nearly half of

the peasants received not more than  $5\frac{1}{2}$  acres each, whilst a small proportion remained landless altogether.

Revolutionaries had always naïvely asserted that the expropriation and division of the large estates would appease the land-hunger of the peasants and had expressed confidence that once such a reform were carried out nothing could prevent them from speedily becoming rich. But experience proved the contrary. Land in itself was of no avail to the poor peasants. What they needed in addition was capital, equipment and livestock. Soviet law stipulated that land should be divided according to the number of mouths requiring to be fed. But it could make no corresponding provision in regard to the tools and accessories required for the cultivation of the soil. Even had such a measure been possible, it would have been unenforceable; and, if enforceable, of little effect, for supplies of all kinds were extremely scanty.

The determination of the size of holding according to the size of family led to curious inequalities. Instances were not rare in which poor peasant households having many members came to possess much land, most of which they could not cultivate because they had neither livestock nor implements, and in which rich peasant households having few members were left with little land, but much livestock and machinery. Nevertheless, as in Tsarist days, the overwhelming majority of peasants suffered from shortage of land, and most of the remainder from shortage of other essentials. As a consequence of this impoverishment, Russian agriculture, always based upon extensification, became more extensified than ever. Before the revolution capital and labour were applied intensively on many large estates; also to a limited amount capital was made available to a section of the peasantry. Bolshevism swept away these advantages. By distributing the well-cultivated lands of the wealthier few amongst the myriads who were poor and ignorant, it created a wilderness of poverty. Hence the returns from agriculture proved to be less than those of the

pre-revolutionary epoch and of agriculture in other countries.

Several possible remedies were neglected. Large new tracts in European Russia should have been brought into cultivation. Instead of that being done, large tracts were allowed to go out of cultivation, particularly in regions where famine had been experienced. Soil impoverishment was common; in some districts no fertilisers had been used for fifty years. Neglect had begun long before the revolution, but the Bolsheviks did little to arrest it. Millions of peasants should have been transferred to Siberia and the regions outside European Russia. What actually happened was that periodically mass migrations took place within European Russia; and at the same time a steady stream flowed into the towns to swell the large unemployment that existed there. In face of elemental calamity the Bolsheviks were powerless to direct the currents of life.

Prior to the revolution 85 per cent. of the peasants were steeped in poverty. They consumed all that they produced, and even then periodically suffered privation. In 1910 Tolstoi wrote: "Half the Russian people live so that for them the question is not how to improve their situation, but how not to starve."

In the early days of the revolution the peasants entertained wild hopes. Equal division of the expropriated land was the idea fixed in their mind, and they believed that were this to be realised there would be enough land for everyone. But, as has been said, in many instances redistribution added little to each individual holding; and the manner of carrying it out by separate villages merely perpetuated inequalities between classes and regions. When later redistribution was repeated, and the lands of the richer peasants shared the fate that had overtaken those of the large proprietors, inequalities as between classes diminished, but they remained as between village and village and particularly as between region and region. Thus in relationship to

land the agrarian revolution was equalitarian only in the primitive and restricted sense understood by the peasantry. In the wider, the national sense, it was anything but equalitarian.

The following authentic statistics published in 1925 showed the proportions of arable land in European Russia occupied by small farms of varying sizes: between 11 and 32 acres, 49.5 per cent.; more than 32 acres, 19.2 per cent.; less than 11 acres, 31.3 per cent.

Since land hunger, the chief cause of the agrarian revolution, continued after 1917 to be as acute as ever, only by improved cultivation could the majority of peasants have derived a comfortable livelihood from their restricted holdings. But their husbandry was inferior even to the most backward farming practices of western countries. The agriculture of Russia was at least two centuries behind that of the rest of Europe. Arable land was divided into long, narrow strips, a system finally abolished in England during the eighteenth century. Usually part of it was distant from the village, often as far away as six miles. Invariably whole families migrated to their work; sometimes during a season peasants tramped as many as a thousand miles in order to perform their toil upon scattered strips, or remained housed in crude shelters, until the seasonal tasks were finished. Not merely was the manner antiquated in which the land was split up and dispersed, but the implements used in its cultivation were primitive. The most important work was done by hand; it has been calculated that the production from some operations was at least one-thirtieth of that obtainable by mechanical means. In many regions a horse was so scarce that cows were used for ploughing. At intervals the peasants threw buckets of water over the animals in order to cool them, saying that they were "tractors with their own steam."

The backwardness of Russian agriculture was reflected in the extreme lowness of its yields. Whatever the crop,

Russia was at the bottom of the productivity tables of the various nations. On this subject Buharin wrote: "Per dessiatin Russia grows three and a half times less oats than Denmark and Belgium; four times less wheat than Denmark, three times less than Germany and England; and three times less rye than Belgium. Even in Turkey the yield of grain per dessiatin is twice as great as the yield in Russia. It is necessary to point out that in reality the yield of our peasant farms is lower than the records mentioned, for these records include the high productivity of the landlords' estates, where the yield was from one-fifth to two and a half times greater than the yield of the peasant farms."

Grass-land was in bad condition. Even meadows favourably situated near to rivers yielded harvests at the rate of less than one-third of a ton of hay per acre, whilst those still more favourably situated near to large rivers yielded harvests of not more than three-quarters of a ton per acre. This retarded the rearing of livestock.

Primitive methods alone could have accounted for the difficulty with which the Russian peasants extracted a livelihood from the soil, but when, in addition, it was considered that many of them occupied plots smaller than those cultivated by the peasants of either France or Germany, then the hopelessness of their situation became apparent. Even after the revolution the acreage per household was in the majority of cases less than 20 acres, in most instances considerably less; we have seen that in 1925 31.3 per cent. of the arable surface of European Russia was taken up with holdings not more than 11 acres in extent. In France the average peasant holding was 21 acres, in Germany 14 to 15 acres, and in both these countries, particularly in Germany, farming was much more efficiently conducted than in Russia.

## CHAPTER XLI

A REVIEW OF AGRICULTURE—DEFINING THE KULAK—A VARIETY OF VIEWS—POWERFULNESS OF THE RICH PEASANT—RENTING OF LAND AND HIRING OF LABOUR—(1917-28).

THE rich peasant was regarded as the arch-enemy of Bolshevism. He was spoken of contemptuously as a "kulak," a word that originated in pre-revolutionary days, and signified "fist." According to popular conception, he was an exploiter, an idler, and a speculator—in fact, everything that was oppressive and obnoxious.

What in reality was a kulak? This question went to the root of the revolution, threw light upon its character, and gave a hint as to its destiny. Bolshevik propaganda and caricature had no difficulty in finding an answer. The kulak was a monstrous type. He looked monstrous and behaved monstrously. For agitational purposes this abuse was effective. It stimulated class hatred in the villages, and that was what the Bolsheviks desired. But when it came to economic realities, something more sober was called for. At once the Bolsheviks lost themselves in the labyrinths of human psychology and the subtleties of class distinction. For thirteen years they discussed the question: what is a kulak? Never were they able to agree upon an answer. The multiplicity of their definitions revealed the deep confusion into which they had fallen. Lenin, writing before the revolution, considered that the amount of land possessed could not be taken as a true standard of wealth. The kulak, he said, became rich not on the land which originally belonged to him, but on land acquired from others. In

his view, therefore, classification should be not according to area of land, but according to the number of horses and cattle owned; for a peasant who possessed much livestock also possessed much land and had therefore saved money.

How much stock was it necessary to have in order to be a *kulak*? Lenin answered that any peasant who owned more than a pair of draught beasts was a *kulak*, that a middle peasant was one who owned a pair of draught beasts, and that a peasant who owned none at all was poor—a proletarian in the true sense of the word.

Buharin's definition of a *kulak* was simpler than that of Lenin. A *kulak*, he said, was a successful farmer. Kalinin, who used to be a peasant and made the peasantry his special concern, declared: "Ownership of property does not necessarily indicate a *kulak*. A *kulak* is a peasant who desires to take advantage of his neighbour." Then, as an afterthought, he added: "This desire is, of course, common to every peasant, whether rich or poor. But the rich peasants are better situated to take advantage of their neighbours than the poor ones." If these distinctions meant anything, it was that all peasants should be prevented from becoming rich lest they exploit their neighbours.

In the years immediately following the revolution, the *kulaks* as a class were almost extinguished, and equalisation of the peasantry was achieved, that is to say, equalisation on the level of pauperism. A few *kulaks* survived, managing somehow or other to amass wealth illicitly. When the New Policy, which allowed freedom of trade, was introduced in 1921, the *kulak* class reappeared. It consisted not of new, but of the same individuals who before had entered into its composition. Ruined under communism, they restored their fortunes under individualism.

The New Policy was primarily a food policy. It was introduced to arrest the catastrophic shrinkage of crop production and to put an end to hunger. If successful, it

was bound to lead to a revival of the kulaks, for only they had the knowledge, persistence and enterprise necessary for the restoration of agriculture.

The Bolshevik leaders realised that in changing their policy they were resurrecting the kulaks, the village bourgeois as they called them. They knew what they were doing, but they had no other alternative if they were to avoid anarchy. At the same time they seriously believed that they could limit the number of kulaks, and control their every activity even in matters of intimate detail. From this period began a remarkable conflict between the power of riches and the power of the socialist state. It is true that the riches of the kulaks were slender according to western standards, but amidst the impoverishment that had spread over the whole of Russia, they were not negligible.

More and more the state became dependent upon the kulaks for grain with which to feed the proletariat of the towns. In 1925 the Central Statistical Department published figures showing that in addition to the grain which the rich peasants disposed of themselves, they controlled a considerable portion of that marketed by other categories ; altogether it was said that of all grain sold on the market the kulaks were responsible for 42 per cent. Stalin ridiculed this figure. It may perhaps have been a little over-estimated, but there was no doubt that the kulaks controlled more than a third of all grain offered for sale.

How did they manage to get themselves into so strong a financial position ? To some extent they were assisted by the relaxation of the land laws which followed the introduction of the New Policy. From ancient days the peasants had suffered from the illusion that lack of land alone prevented them from becoming rich ; but when the revolution came, and the land of the large proprietors and of the kulaks was distributed amongst them, millions were unable, for want of money, implements and stock, to cultivate their holdings, all of which became derelict.

Fully 30 per cent. of the households possessed no horses, and a peasant who was horseless was as helpless as if he were landless.

At the XV Congress of the Communist Party in 1926 Stalin said: "We have approximately 24 million peasant households. According to the Commissariat of Agriculture, one-third of them cannot afford to keep horses, nor, if they could, would it pay them to do so. It is the same with machinery. In some enterprises a good plough is unprofitable, apart from the fact that it is inaccessible to the weaker units, and machines for reaping, sowing and threshing are out of the question. They certainly could not be profitably employed on dwarf farms. That is why we still have in Soviet Russia more than 5 million wooden ploughs. We still have such sorry examples of 'progress' as the fact that in White Russia the number of wooden ploughs is greater than the number of up-to-date ploughs."

How were the horseless households to be provided for? And what was to be done with the holdings which they could not cultivate? Soviet law prohibited the renting of land. Likewise it forbade the hiring of labour. Article 3 of the decree of February 19, 1918, stipulated that the right to use the land belonged only to those who tilled it by their own toil. Intent upon preventing the exploitation of the weak, the socialist state thus took away from them the possibility of surviving at all. Whilst denying them the right to have employment (thus immobilising considerable labour-power), it precluded them from disposing of land which they could not cultivate themselves. Had the authority of the state been strong in the villages the hardships of the poor would have been increased. As it was, the only law that prevailed was the law of the jungle. "Your own shirt is next your skin; everyone works for himself," was the reply of the mujik to the communist appeal for idealism. Having meagre capital at its disposal, the state could be of little practical use. Despite its loud insistence that

it was as much a peasants' as a workers' state, it could give the peasants neither horses nor credit, nor indeed anything which they needed. In many villages the kulaks monopolised means of production. Often, in order to secure the use of horses or of implements, poor peasants had meekly to suffer exploitation. Unable to pay money, they gave their labour instead. In the village there were no fancy soviet laws, no eight-hours day, no minimum wage. The poor peasants worked for their richer neighbours all the days of the week, and each day from sunrise to sunset; and often by the time their tasks were done the season had passed, and it was too late to make use of the horses or implements for which they had paid with their toil. Sometimes, instead of paying with labour, they paid with produce. Instances occurred where they kept on paying until their last had gone. Then they and their families were forced to starve, and they were fortunate if in the end they had not to go to prison for inability to pay taxes. Frequently they let their land to the kulak on condition that he paid the taxes on it, or in return for a sack of flour or a little food. One case was cited where a woman parted with her portion of land for 2 lb. of ham. The new owner failed to fulfil his engagement to pay taxation, whereupon the woman was sent to prison and forfeited her land. All such transactions were contrary to the law. But the law, as I have said, was largely in suspense. "It's no use to go to court against the rich man," remarked the poor peasants. On the rare occasions when anyone of them located a government office and mustered up pluck to enter, he first was told to fill up a form, next to pay a fee of a chervonets ruble. But illiteracy prevented him from doing the one, poverty from doing the other.

Since numbers of poor peasants had no means of surviving except by hiring their labour and their land to the kulaks, the Bolsheviks in 1926 resolved to regularise, and yet restrict these practices. Tenancy was limited to twelve years, and it was provided that, although a peasant

might employ others to assist him, he must himself also work on the rented portion, together with his family.

Statistics showed that neither the hiring of labour nor the renting of land developed on a large scale. In 1926, 7·8 per cent. of farms employed labour by the day and 3 per cent. seasonal labour. In the first instance, middle peasants, in the second, kulaks, predominated amongst the employers.

In Tsarist times the peasant class earned approximately £50,000,000 yearly by hiring its labour to the landlords. It is true that the wages paid were miserable. But the revolution did not improve the peasants' lot. Only too willing to be exploited rather than starve, they found relatively few individuals wealthy enough to employ them; and these few paid them even less than the landlords had done before. In 1926 the area of land which was rented amounted to 6·7 per cent. of the total surface. Here again middle peasants were to the fore; a considerable portion being rented by them. The lesson to be learnt was that they were not less ready than the kulaks to exploit their weaker brethren.

The kulaks rented not nearly so much land and hired not nearly so much labour as they had done in Tsarist times. They constituted but a small percentage of the peasantry. In this circumstance some Bolsheviks saw proof that capitalism had been conquered. Yet the proportion of kulaks was only one per cent. less under Bolshevism than under Tsarism when capitalism was unconquered. The essential fact was that in the period of the New Policy the wealthiest peasants controlled a considerable proportion of the grain destined for the market. State trusts made no secret of their preference for dealing with them rather than with the poor peasants, for they were the larger purchasers of state-produced commodities and the more punctual in meeting payments.

Owing to the enmity shown towards them by the authorities, the kulaks refrained from ostentation. But they made their influence felt and achieved their ends

by subterfuge. Many associations formed for the purpose of tilling the soil developed into syndicates of rich peasants who sometimes succeeded in adding to their own holdings of land by bribing poor relations to take up shares. Concerning these collective enterprises, the poor peasants said: "There are no good people in the world. If you co-operate with other people they will sell you and divide the money amongst themselves. What you pay will go to them. We are crushed by the rich; it always was so and it will always be so."

Mutual aid societies were formed in the village; but the remark was frequently heard among the poor peasants: "They are societies for mutually aiding the rich." And it certainly was a fact that the committees of the societies often consisted of rich men only. One poor peasant said: "The rich man closes our mouths. If we open our mouths, he shouts, 'You are lazy. . . .' But if only I had a horse I would tear out every rich man's gullet." Another poor peasant exclaimed: "A poor peasant can't struggle against a rich peasant. He can't shout louder than he does. You can't offend him. You always need something from him. Perhaps your ideas are better than his, but he won't listen to them because you are poor."

The poor peasants got little assistance from the soviets, many of which degenerated into tax-collecting agencies. Frequently kulaks dominated the village administration. Being miserably paid, the officials accepted bribes from them, and thus, to all intents and purposes, became their nominees. In many villages the taxation of the rich was reduced and sometimes wholly remitted, and they were allotted the best land, the poor having to content themselves with "clay and stone" or something equally bad. At the XIII Congress of the Communist Party in 1924, Zinoviev said: "The poor peasants are getting poorer. They depend economically and politically upon the kulak and the middleman . . . they receive no real help from the party or from the authorities." Two years later,

Kalinin remarked: "The quantity of poor peasants is not increasing, but the difference between the poor on the one hand and the middle and rich peasants on the other is increasing."

As time went on it became almost as difficult to detect as to define a kulak. In many districts officials shirked both tasks, and left them wholly to the local inhabitants. Sometimes the consequences were grotesque. Rykov cited cases of peasants being stigmatised as kulaks who owned a gramophone or wireless set, or who made use of metal instead of wooden spoons. In the end no one could say who was or who was not a kulak. Where poverty was so common, and the gradation of wealth so imperceptible, normal valuations no longer ruled. Judgment was distorted by embitterment, and envy grew from trivial causes. Often the net of persecution was cast so wide as to include peasants who just managed to exist, a circumstance which discouraged enterprise and provoked despair. Whenever repression was intensified, production, and with it the marketed surplus, dropped; therefore the towns suffered from shortage of food. Together with the rich vanished their riches and their capacity for creating riches; the socialist state suppressed the one only to find that it had destroyed the other.

Ultimately the Bolsheviks were forced to re-examine the whole question with a view to seeing whether it was not possible to define a kulak in comprehensible language. "The time has come," said Zinoviev, "when we must discriminate between the kulak and the village nepman. Lenin discriminated according to the *gubernia*, the village, and circumstances generally. A peasant regarded as a kulak in Siberia might not be considered one in Central Russia. . . . There is growing up in the village a type of usurer, a shopkeeper, a wholesale merchant, or a maker of illicit spirits. We must suppress him. But we must not oppress the well-off peasants who take care of their farms."

In 1925 Smirnov, then Commissar for Agriculture,

also emphasised the need for distinguishing between two sections of well-off peasants, the one speculative, the other hard-working. "The first group," he wrote, "consists of pure usurers who are engaged in the exploitation of weaker groups, not only by the use of hired labour in the process of production, but especially by means of every kind of enslaving bargain, by petty village trade and by credit at exorbitant interest. The farmers of this group are least of all concerned in the management of their own agriculture, and all their free capital is employed in usury. The second well-to-do group consists of strong, hard-working farmers, striving their utmost to strengthen and increase their production, investing their capital in their farms, particularly in the purchase of livestock, equipment and seed. The hiring of labour by them is pre-eminently temporary; and they require it for causes which cannot be advanced as reasons for relegating them to the category of kulaks. With the first group, the real kulaks, we must carry on a decisive conflict by means of taxes, prohibition of exploitation, strict enforcement of the labour code and support of the weaker sections in the village. On the other hand, we must do all in our power to uphold the second group, using their capital as a means of contributing to the development of agricultural co-operation, and for raising the efficiency of cultivation generally."

The definitions just quoted led to no better understanding. The average official and the poorer peasant were quite incapable of distinguishing between a kulak who was a usurer and a kulak who was a diligent farmer. Nor, had they been able to do so, would the interests of communism have been better served. The multiplication of rich individual farmers which might have been expected to follow would have conflicted with the collectivist ideal.

Later an attempt was made to arrive at a definition of a kulak more simple than any so far reached. A kulak, it was officially declared, was a peasant with two cows

and two acres. But definitions, no matter how simple, proved of no practical value. A peasant who had a little more than his neighbour was always in danger of being denounced as a kulak, and having a third of his income at least taken from him in the form of taxation. Many kulaks voluntarily sank into the lower categories—the middle and the poor.

Yet, despite the severity with which they were persecuted, the kulaks did not diminish seriously in numbers. It seemed that whenever one disappeared another took his place. Did this signify that individualism was unconquerable, capitalism impregnable? This question caused much disagreement in the Communist Party. All controversy centred around the kulak. The middle peasants were rarely mentioned, for the Bolsheviks had to keep up the pretence that this class was friendly towards them. Had they not done so, then their justification for persisting with the revolution would have gone. Impartial observers differed from them. They saw that the middle peasants had but one ambition—to become kulaks. A few Bolsheviks agreed with this view, but they were regarded as heretics. Yet Lenin, the originator of faith in the middle peasants, himself declared that they would only become converts to socialism when socialism proved a success.

## CHAPTER XLII

### A REVIEW OF AGRICULTURE—RESULTS OF THE AGRARIAN REVOLUTION—MARX AND RUSSIA—STATE FARMS, COMMUNES AND ARTELS—(1917–28).

THE issue of the agrarian revolution depressed orthodox Marxians. Although none other could have been anticipated, it was yet a blow to them. Marx had presupposed an entirely different course of events. According to his teaching, the transformation of society was to proceed in the following stages: first, conversion of the individualised and scattered means of production into socially concentrated means, of the pigmy properties of the many into the huge properties of the few, and the expropriation of the great mass of people from the soil, from the means of subsistence and from the means of labour; next, the expropriation of the smaller proprietors, by the larger proprietors ("One capitalist always kills many" declared Marx); lastly, centralisation and socialisation of labour, reaching a point where it becomes incompatible with its capitalist integument. "This integument is burst asunder. The knell of capitalist private property is sounded. The expropriators are expropriated."

Marx speculated whether Russia might not afford an exception to the common rule. The introduction to the Communist Manifesto dated January 21, 1882, contained this passage: "The burden of the Communist Manifesto is the declaration of the inevitable disappearance of existing bourgeois property. But in Russia, along with the capitalist system which is developing with feverish haste and the large landed property of the bourgeoisie

in course of formation, more than half of the land is the common property of the peasantry. The question is, therefore, whether the Russian peasant commune, that already degenerate form of primitive communal property in land, will pass directly into the superior form of communistic ownership of the land, or whether it must first follow the same process of dissolution that it has undergone in the historical development of the west. The only possible reply to that question to-day is as follows: 'If the Russian revolution is the signal for a workers' revolution in the west, and if both should be successful, then the existing communal property of Russia may serve as a starting point for a communist development.' " The author of these words was Engels, but the ideas were the ideas of both Engels and Marx.

Neither the main theory of Marx foretelling the transformation of the pigmy property of the many into the huge properties of the few as an unavoidable prelude to revolution, nor the secondary theory expressed by Engels that unique conditions might make of Russia an exception to the common rule, had so far been borne out by events.

After Marx wrote his prophecy pigmy properties became more, not less, numerous; and the immediate effect of the revolution was to increase them still more. The village commune did not serve as a basis for a communal development. Nor did a workers' revolution occur in the west. Thus whatever was to be said for the Bolshevik claim that the revolution in the towns was a classical Marxist revolution, not even they could deny that in the country it was anything but Marxist.

It was the intention of the Bolsheviks that the compromise with the peasants should be temporary. Compulsory socialisation of agriculture was to be deferred until compulsory socialisation of industry had progressed, and the government felt strong enough to coerce the countryside. Meanwhile, everything that could be done was to be done to bring about the collectivisation of

agriculture. It was laid down in the decree of February 19, 1918, that "with a view to the earliest realisation of socialism, the state is to give every encouragement, material and moral, to the collective system of tillage." Thus the Bolsheviks definitely proclaimed their faith in large-scale farming. Afterwards they lost no opportunity for expounding this faith. The peasants, they declared, sowed crops without considering whether or not they were suitable to the soil of the locality. Under state control choice of crops would be determined by experts. The peasants adhered to the three-field system, and, as a consequence, were compelled to leave one-third of the land fallow. Under state control a many-field system, together with proper rotation of crops, would be introduced. The peasants wasted much land at the corners and edges of fields. Under state control such waste would be done away with. The peasants could not afford a sufficiency of fertilisers. State control would encounter no such disability. The peasants could not arrange to plough at appropriate times, nor could they plough deeply and with economy of labour. The use of tractors on the small strips into which their lands were divided was impossible. State control would enable fields to be broadened and cultivation to be mechanised. Tractors, steam-ploughs, steam threshers, all could be used when dwarf households were replaced by state domains. Finally, state control would introduce electrification. And from electrification everything was expected. "By the use of electricity on one large farm we can do all tasks in a single well-equipped building," it was said. As an instance of what could be done, it was remarked that if, instead of preparing one hundred meals in separate kitchens, a single meal for the same number were prepared in an electrically-equipped communal kitchen, ninety cooks could be released for work of another kind. Finally, it was asserted that as a consequence of mechanisation rendered possible by state control the working hours of the peasants would be

reduced by one-third or one-half, and the productivity of the land increased three-fold or even four-fold.

“The task of the Communist Party,” wrote Buharin and Preobrajenski, “is to establish a communal system of agriculture which shall deliver our rural population from the barbaric waste of energy inseparable from the prevailing system of ‘dwarf’ agriculture, to save Russia from barbaric exhaustion of the soil, from barbaric and Asiatic methods of cattle-keeping and from barbaric methods of individual cookery.”

Such was the Bolshevik eulogy of collective agriculture. It said nothing that had not been said before as to the advantages of large-scale farming over small-scale farming. But usually these advantages were considered to be unattainable in countries where, as in Russia, agriculture was primitively conducted. If the peasants, when working on small individual plots, were only able to extract low yields, it was unlikely that, even with efficient supervision, their labour would come up to the standard required by large modern farms. Skilled supervisors, moreover, were lacking. There was a dearth of agricultural experts. Equipment was scarce. Machines were few, mechanics fewer. Thus the prospects for collectivisation were gloomy. Yet the Bolsheviks propagated its merits without intermission. Consequently a certain amount of enthusiasm for it was generated. The positive results were poor. A serious attempt was not made to organise collective agriculture until the end of 1918. This movement took three forms: (1) communes; (2) associations for the performance of labour; (3) state farms.

The commune aimed at being what its name purported. Property down to small personal possessions was held in common. An attempt was made to apportion labour according to capacity and skill. Increment was shared by all, and the needs of each were supplied from the common fund. Food and recreation were taken together; and no detail of life was considered too intimate or unimportant to be discussed in public. In

some instances the children were housed and cared for in common dormitories.

At first the communes multiplied rapidly, increasing between December 1918 and June 1919 from 950 to 2,097. This progress gratified the Bolsheviks. Confidently they declared that new forms of life were springing up all over Russia, and in this circumstance some saw proof that the politicians of the 'eighties were right in asserting that the peasants were collectivists by nature. But when the movement was examined more critically, it was found to be less collectivist than had been supposed. Always the peasants were reluctant to pool their own allotments for the purpose of creating communes. In most instances the communes were established on confiscated estates. The soil of these estates, having long been cultivated by large owners, was superior to that of peasant lands. Peasants were attracted to them by this fact. But many of the communes were composed not of genuine peasants, but of individuals who had migrated to the countryside when the agrarian revolution occurred, and had taken prominent part in the seizure of the private estates. One factor in stimulating the collectivist movement was the widespread destitution. Peasants were induced to enter organisations which were given a preference in the distribution of supplies of livestock and equipment.

Many of the communes proved to be shams. Peasants, having acquired wealth, continued membership, but performed most of their tasks individually. On this subject Professor Prokopovich cited an illuminating passage from the authentic report, "Enclosed Holdings in Russia 1922," by E. Pershin: "Whilst still formally members of an agricultural commune, the settlers are practically running their farms individually. A merely outward and fleeting examination of such a settlement will reveal to the eye of the observer no boundary lines, no fences and hedges; indeed, one will notice a common enclosure for cattle and a common barn. But after

somewhat closer examination one will perceive that among the houses (in the very centre of the settlement) there is a big pole, and on the outer boundary of the enclosure there are small stones. If we draw mental lines from the pole in the centre of the enclosure to those boundary stones, we shall perceive the boundary lines between separate households. On making inquiries, we shall find that only ploughing ground is common, all other work being done individually within the mentally determined boundaries; threshing in the common barn is done separately by each family; all the cattle are divided between the families, notwithstanding the common stables. Outwardly it is a genuine collective settlement, but in fact it is nothing but an agglomeration of individual settlements which only await more favourable conditions before throwing off the swaddling clothes of collectivism."

The poor, for whose benefit the communes were chiefly established, were reluctant to enter them. More stubbornly than any other class, they clung to individualism. After the summer of 1918 the number of communes began to decrease. In the succeeding three years 469 ceased to exist. The causes of the decline were identical with those that had thwarted every attempt to establish communism in the world. Strive as they would, individuals could not live in common. In theory the experiment required that each should work according to his capacity and partake according to his needs. In practice few did the first, but all exceeded the limits of the second. Idleness was chronic, quarrelling incessant. The petty frictions of domestic life were accentuated by communal conditions, and bitter disputation arose out of trivial circumstance. No two tastes were alike: that which suited the one was repugnant to the other. The most savage conflicts had their origin in the kitchen. Only those communes achieved a measure of success in which forceful characters assumed dictatorial leadership.

Together with communes, associations came into

existence chiefly for the purpose of performing labour in common. This form of organisation, usually known as the *artel*, had the merit of being a familiar feature of Russian life. Groups of peasants pooled their stock, equipment and labour, and cultivated a common plot; profits were divided according to the capital invested and the work done by each individual. *Artels* proved popular; by 1921 they numbered 10,000.

Much of the collectivism hitherto described sprang spontaneously from the people. One more form remains to be mentioned, that organised from above—the *soviet* or state farm. The idea of the *soviet* farm was born out of necessity. Food in the towns was scarce. The blockade from without was strengthened by the blockade from within; the country withheld supplies from urban centres. It was hoped that the *soviet* farms would remove the proletariat's dependence upon the peasantry for its food. These farms were called meat and grain factories, and industrial workers, together with communists, had a large share in their organisation and management. Whilst created for the alleviation of a critical food situation, they were also intended to become examples on a grand scale of that large-scale farming in which the Bolsheviks so passionately believed, and centres from which socialism would spread throughout the countryside. "Only by means of *soviet* farms," wrote Buharin and Preobrazhenski, "can we demonstrate to the peasants the advantages of large-scale collective agriculture. . . . On the *soviet* farms we can introduce a proper rotation of crops, use all kinds of agricultural machinery, including the most complicated, breed pedigree stock, organise schools and exhibitions, and arrange lectures." Thus sincerely it was believed that the *soviet* farms would bring about socialisation of agriculture. In the commune the Bolsheviks had not much faith, because it embraced but a small area, and at best represented a change from small to medium-scale agriculture. Only the *soviet* farm was in keeping with the grandeur of their vision.

By 1921 nearly 6,000 soviet farms were established. In spite of the fact that labour was conscripted and paid at pittance rates, none of these enterprises proved an economic success. Many of them were derelict from the start. Little had been done to repair the ravages of time and revolution; buildings were falling down; fences were dilapidated; broken machinery had been piled up in scrap heaps. Working capital was scarce, management appallingly incompetent. Instances occurred of the maltreatment of the peasantry which were far worse than any that came to light in pre-revolutionary days. Speculation and corruption flourished. Horses and cattle were lacking. Only those peasants were attracted to the enterprises who were unable to find a livelihood for themselves. Soviet farms, in a word, became colonies of vagrants.

The total area of land cultivated by collective effort in one form or another did not amount to much more than 4 million dessiatins in 1921, of which soviet farms accounted for 3 million dessiatins. This total was but a thirtieth of the whole area of the land confiscated from private individuals and institutions. The proportion would have been lowered had state lands expropriated from the Tsarist régime been taken into the reckoning. But their inclusion could not be justified because a considerable part of these lands consisted of forests, or was otherwise unsuitable for cultivation.

Of the total arable area of European Russia soviet farms occupied but 2·1 per cent. and communes 0·2 per cent., and the yields from both were negligible. By the end of 1920 facts compelled the government to recognise the failure of its attempt to socialise agriculture by the methods described. In the following year, when the New Policy was introduced, it was anxious to get rid of soviet farms by any possible means. Some were leased to private enterprise; and others were offered as concessions to foreign capitalists.

Yet collective agriculture precariously survived the

inauguration of the New Policy. Figures compiled by the Central Statistical Department showed that in 1928 soviet farms numbered 3,318, that their area was nearly 3½ million acres, that they possessed 1,088,238 cattle and employed 99,000 persons on their permanent staffs. But four-fifths of these enterprises worked at a loss. They were three or four months in arrears with wages to their labourers, the total sum owing on this account being 4 million rubles. And between 1926 and 1928 their debt to the state had grown from 22 to 40 million rubles.

The communes, which sought to socialise not merely labour, but also distribution and domesticity, did not flourish. But more simplified forms of association multiplied, as, for example, the artel, the chief concern of which was to perform work in common, and the co-operative society, whose construction was looser than that of the artel. In many instances the basis of arrangement was as follows: a number of peasant households agreed to cultivate a plot of land in common, and to contribute animals or implements for the purpose. Each household retained its own personal property and had a separate vegetable garden. Directors were appointed, wages paid, and any balance left over was shared. By 1926-27 nearly 16,000 collective farms had been organised. They included nearly 1 million persons, and cultivated in all 1 million dessiatins. In 1927-28 there was a marked expansion of the movement; within a year the number of collectives, of the individuals belonging to them, and of the area of land cultivated had doubled. Many of these collectives consisted of not more than from six to twelve families. Many had no other purpose than that of organising mutual labour on a modest scale. Such forms of association were not by any means new; they had existed in the Russia of pre-revolutionary days. Peasants resorted to them in Bolshevik times because of the solid advantages to be derived—government credits and exemption from taxation.

In 1928 there were in existence 33,179 communes, artels and co-operative societies for the cultivation of the land. These organisations embraced 415,728 families or units, consisting of 19,726,643 persons; and cultivated an area of 3,451,656 acres.

Figures published by the Central Statistical Department showed that of the area sown with cereals throughout Russia, soviet farms and collectives together accounted for the small proportion of 1.7 per cent.

Addressing the XV Congress of the Communist Party in 1926, Stalin said: "For the socialisation of agriculture we have done little. It is sufficient to say that the collective and soviet farms contribute at the present time a little over 2 per cent. of the entire agricultural production. There are many reasons for this, both subjective and objective: an inefficient approach to the problem, inadequate attention to it on the part of the workers, the backwardness of the peasantry, and lack of financial means."

During the period of War Communism measures other than the creation of communes and state farms were taken in the hope that they would lead to the socialisation of agriculture, but in every instance failure resulted. These measures were described in detail in the earlier chapters of this work. The chief amongst them was the forcible requisitioning of grain. Socialisation of agriculture in its entirety being impossible, an attempt was made to socialise agricultural products. When the peasants retaliated by reducing the sowing area to a minimum compatible with their own survival, the Bolsheviks in all seriousness began to contemplate the control of sowing—in other words, the socialisation of cultivation. But in the end they shrank before a task that would have involved the management of 20 million households and 120 million individuals. Requisitioning was replaced by taxation.

Experience during the period of War Communism and of the New Policy afforded valuable evidence as to the

character of the Russian peasantry. It may be recalled that the old revolutionary party of the nineteenth century, the Narodnechestvo, passionately believed that socialism would arise spontaneously from the Russian soil, that it would emerge almost of its own accord from the village commune of those days. The Bolsheviks, whilst rejecting this idea, did not dissent from Marx's assertion that, provided a revolution in Russia coincided with one in the west, that "degenerate form of primitive property in land," the village commune, might serve as a starting point for a communist development.

What actually happened after the revolution occurred? The creation of state farms, which were a form of state capitalism, aroused the hostility of most of the peasants. Their feeling was that the land of which these farms consisted should have passed to their ownership, not to that of the state. The idea of working on large domains under government bureaucrats was repugnant to the primitive anarchistic instincts of the peasants, and was altogether too reminiscent of serfdom, memory of which was still vivid. The peasants were no more suitable for self-formed communes than for state-controlled farms. Revolutionary agitation and emotion had inspired them to create such organisations. But they were unable to impose upon themselves the discipline required for economic success, and they resented the unavoidable intrusion of others in their private lives and habits.

Of all attempts to socialise agriculture, only the simpler forms—the collectives, as they were called—achieved uniform success. The reason was that they restricted themselves to labour in common and left all the other activities of life alone. The Bolsheviks spoke of these types of collectives as "the most primitive stage of collective agriculture," adding that "the advantages of such a form of association consist in the complete freedom of activity which is preserved for each peasant apart from the actual process of labour, so that every peasant can readily enter without risking the loss of his inde-

pendence." As regards cultivation, collective farming introduced certain improvements. Wherever it was resorted to, the land ceased to be divided into long strips scattered widely apart, as had been the custom under the individual system.

In addition to collective tillage, at least forty other forms of simple agricultural co-operation existed. Amongst them were societies whose objects were restricted, societies that engaged exclusively in one of the innumerable branches of agricultural production, as, for instance, dairy-farming, stock-raising, bee-keeping, market-gardening ; or shared machinery or other specific objects ; or arranged credit facilities ; or purchased and retailed commodities ; or collected and marketed produce. In 1928 the number of such societies was 93,000, with a membership of 11 million. In 1926-27 one-third of all peasant households belonged to consumers' co-operative societies.

Before the revolution the co-operative movement had a strong hold in Russia. More than 20,000 societies then existed, of which a large proportion was concerned with agriculture. That simpler forms of co-operation multiplied after the revolution was not surprising. To all intents and purposes the societies were agents of the state. Through their medium the inferior products of socialised industry were distributed throughout the countryside, and exemptions and subsidies which were granted at the expense of the rest of the population accounted for the large membership. In 1926 it was estimated that at least a quarter of them were affected by corruption. Artificially stimulated, the movement spread faster than honest managers could be secured. Left at the mercy of incapable directors, it too often served individual interest, and became a mockery of the ideal of mutual aid. Yet its growth, considered in conjunction with its vigour in pre-revolutionary days, possessed significance. It was evident that the Russian peasants had a definite inclination for

co-operation—in other words, for collectivism of a limited kind—but that they were antagonistic to all communal forms that interfered with their private lives. Thus for a time passed away the idyllic dreams of the Narodnechestvo of the nineteenth century. Thus, too, ended any hopes lingering in the minds of many revolutionaries that the “degenerate village communes” of Tsarist times might serve as an immediate starting point for communism. “It is true,” said Stalin, “that the Russian peasantry is not socialistically inclined,” to which he added: “But that is not to say that peasant agriculture will not take the socialist road—provided it can be shown that the village follows the town and that socialist industry is dominant in the town.”

What did ruling Bolsheviks think of the co-operative movement? Lenin’s views in regard to it were conflicting. In 1921, the first year of the New Policy, he said<sup>1</sup>: “Co-operation of small commodity producers (we are speaking of that form of co-operation, and not of workers’ co-operation, the first-mentioned being the predominant and typical form in a country of small peasants) inevitably gives rise to petty bourgeois capitalist relations, facilitates that development, brings the capitalists to the fore and confers upon them great advantages. It cannot be otherwise in view of the predominance of small owners and the possibility, and indeed the necessity, of exchange. Under existing conditions in Russia freedom of the right of co-operation means the freedom and the right of capitalism. To close our eyes to this obvious truth would be foolish or even criminal.” Two years later, in a pamphlet entitled “Co-operation,” Lenin said: “Have we not already here and now all the means for making out of the co-operatives alone a fully socialised society”? Elsewhere he remarked: “Under the conditions that obtain in Russia co-operation is perfectly identical with socialism.”

Stalin and his supporters explained Lenin’s contradic-

<sup>1</sup> “Taxation in Kind.”

tory assertions thus: in 1921 Lenin thought that state capitalism might perhaps become the basic form of economic life in Soviet Russia. State capitalism was an organisation of production in which two opposed classes participated: exploiters who owned the means of production, and the exploited who did not own any means of production. Whichever form state capitalism might take, it would be essentially capitalistic. But Lenin had concessions particularly in mind at the time. In other words, he thought that the economic reconstruction of Russia could be carried out by capitalists operating concessions, the conditions of which would be laid down and enforced by the proletarian government. Co-operation in association with such a system, he said, could not avoid being capitalistic. Events happened contrary to his expectations. Industry was organised by the state itself—that is to say, it was socialised. Only one class was involved—the proletariat. It alone owned the means of production. Hence it was not exploited, for the revenues from the various enterprises, after the wages of labour had been paid, were devoted not to private ends but to further development. Under these circumstances the position of the working class as a whole was improved and agricultural co-operation linked with socialised industry provided a means for establishing complete socialism.

It is unnecessary to discuss at length the arguments of Stalin and his associates. In view of the evidence set forth elsewhere, it may be doubted whether the workers felt that the sole proprietorship of industry belonged to them or that exploitation had come to an end with the advent of the socialist state. One important passage in Lenin's writings on co-operation disposes effectually of the case presented by his orthodox interpreters. In "Taxation in Kind," the pamphlet in which he remarks that in the conditions then existing in Russia freedom of the right of co-operation was synonymous with freedom of the right of capitalism, he added: "Between concessions

and socialism the transition is from one form of large-scale industry to another. Between co-operation among petty proprietors and socialism the transition is from small-scale to large-scale production. The latter transition is a much more complicated affair; but if it be successfully accomplished it will influence far more extensive masses of the population; and its result will be to tear up the deep and tenacious roots of pre-socialist and even pre-capitalist relationships—relationships which are most obstinately resistant to innovation.” Here Lenin proved to be a true prophet. The attempt to transform small-scale into large-scale production by means of co-operation and other collectivist methods proved, indeed, to be a complicated affair. It brought none of that success which he predicted would tear up capitalism by the roots, nor yet did it promise fulfilment of his belief that in co-operation Soviet Russia possessed a movement capable of speedily realising socialism.

Just as co-operation was to create the necessary human relations for socialism, so from mechanisation the technical structure of the new order was to emerge. Lenin said: “The conversion of the peasants to socialism can only be carried out by electrification and tractorisation.” In 1919 he remarked that if only one hundred thousand tractors were available, then the middle peasants would rally to the support of the proletarian state. Two years later he declared: “If we get electrification in ten or twenty years neither the individualism of the small agriculturist nor his local free trade is in any way dangerous. If we do not get electrification, the return to capitalism is in any case inevitable.” In Tsarist times electricity was little developed in Russia. The revolution coincided with the advent of the electrical age. It was only to be expected, therefore, that Russia would turn to electrification, more particularly as she possessed large and rapid rivers which could be conveniently used for this purpose. In 1927-28 her production of electrical energy was

one-third of that of her neighbour, Germany, whose population, however, was much smaller.

The "tractorisation" of Russia proceeded less satisfactorily. In 1926 she had 20,000 tractors; in 1929 only a quarter of the total owned by the United States, where farm population is much smaller than that of Russia. A large number of these tractors was in the possession of small co-operative groups, a circumstance which showed that in the majority of instances they could only be acquired by the association of a few individuals, but which was by no means indicative of the conversion of the owners to socialism. The state sold to the peasants imported tractors at prices several times in excess of those prevailing in the country of origin, and tractors manufactured in Russia at prices five to six times higher than those of the imported machines. In some regions where tractors were skilfully employed large-scale farming was established in place of small holdings, and this led to increased production. But owing to the lack of trained mechanics to effect repairs, many tractors were allowed to stand derelict in the fields. The peasants said that they could beat oxen to make them go, but they could not do the same with "this machine."

Attempts at socialisation having been described, consideration of agriculture as it was in other ways affected by the revolution may be resumed. It has been pointed out that by 1917 most of the arable land in European Russia had passed from the large proprietors to the peasants; thus the revolution merely completed a process that was nearly accomplished. It has also been remarked that, owing to the multitude of beneficiaries, the splitting up of the confiscated estates afforded but a modest gain to the individual peasants. What was the economic effect upon the village? And how were classes transformed?

It was assumed that the peasantry consisted of the three classes common to bourgeois society: poor, middle and rich. After the Bolsheviks had been in power for a

little while they delegated control of the village almost completely to the poor peasants. Frequently it was the poor who supervised the distribution of land and the requisitioning of grain. But the result was not that which had been expected. Instead of behaving socially, the poor behaved selfishly. Often they seized the land and grain for themselves, thus showing indifference to the welfare of the village community and to the hunger of their proletarian comrades in the towns.

As a consequence of repeated re-division of the land it was claimed that many poor peasants entered the category of the middle peasants who therefore became the predominant class. Figures supplied by the Central Statistical Department bore out this assertion. According to these figures, there were 21 million poor, 18 million middle, and 6 million rich peasants. Was it then to be assumed that the overwhelming majority of the peasants had profited by the revolution? In the Tsarist days the percentages of the three classes in the village were: rich 5 per cent., middle 35 per cent., poor 60 per cent.; after the revolution the relative proportions were as follows: rich 4 per cent., middle 62 per cent., and poor 34 per cent. It might be claimed that an agrarian revolution that had so substantially reduced the number of poor had justified itself. Yet even had this claim been admissible, the credit would not have belonged to the Bolsheviks, for the peasants were individualists, not socialists. But the revolution did not enrich the peasants; on the contrary, it deeply impoverished all classes amongst them. Many of the poor peasants may have been raised to the level of the middle, but nearly all the middle were brought down to the depths of the poor peasants of Tsarist times. As for the poor according to the soviet definition of the word, they were so wretched that even the Bolsheviks ultimately came to the conclusion that they were morally worthless. "The poor peasants," said Stalin,<sup>1</sup> "are dominated by the ideology of state

<sup>1</sup> "Leninism," by Joseph Stalin, page 409. (George Allen & Unwin.)

pensioners. They put their trust in the G.P.U., in the authorities, in anything except themselves. . . . We must overcome this pensioner's psychology."

Conclusive proof of the extreme penury of the peasantry was forthcoming from data supplied by the Central Statistical Department. In 1926-27 the yearly per capita income of each class was as follows: rich, £23; middle, £11; poor, £7. If taxation was deducted and currency depreciation taken into account, the value of these sums would be halved.

The foregoing figures show the absurdity of the claim that because the agrarian revolution raised the majority of the peasants from the lowest to the middle class, it was a remarkable success. After a while the Bolsheviks themselves began to doubt whether the transformation was as much in their interest as originally they had thought it to be. Lenin regarded the middle peasants as a hesitant class which would become converted to socialism when proofs of its success were forthcoming. How long it would take to refashion them he would not prophesy. "Not in ten years," was all he could say. Meanwhile he confessed soviet economy could not do otherwise than adapt itself to their economy, for they constituted the overwhelming majority of the Russian people. Always he insisted upon the crucial importance of this question. Socialisation of agriculture implied the proletarianisation of the peasantry—that is to say, their absorption by state farms. "The critical point," declared Lenin, "is whether we shall be able to proletarianise the peasantry before they are able to organise themselves against us. Their numbers are overwhelming, and they could swamp us. This conversion of the peasants can only be carried out by electrification and tractorisation—thousands and thousands of tractors must be introduced. Meanwhile the proletarian state promotes a bitter class struggle between the poor and the rich peasants, and seeks an alliance with the middle peasantry, who are not the enemies of socialism, but who will only come into the

socialist camp when they see sound and unmistakable proofs that such a course is absolutely necessary. It is towards communal tillage by easy stages that the soviet state is systematically moving."

Lenin's assertion that the middle peasants were not hostile to socialism had little meaning; for none of them had the least comprehension of its nature. On the other hand, there was evidence of their friendliness towards capitalism. In "The A.B.C. of Communism," Buharin and Preobrajenski wrote: "The petty proprietor mentality of the middle peasants inclines them to form an alliance with the rich peasants. Above all an additional impulse in this direction arises because the middle peasants are compelled to divide their superfluous grain with the town-workers, or rather to hand over what they do not actually need for their own consumption without any prospect of receiving from the town-workers in return the products of urban industries. It is therefore essential that the Communist Party should endeavour to detach the middle peasants from the rich peasants; for the latter are in reality the agents of international capitalism, and are endeavouring to lead the peasantry into courses which will involve the loss of all that has been gained by the revolution."

## CHAPTER XLIII

### THE FIVE-YEAR PLAN (1928-29 TO 1932-33).

THE Five-Year Plan, which came into operation in 1928-29, was drawn up by the State Planning Department and was based upon a mass of material a considerable part of which was of a speculative character. The essence of the plan was centralisation, the primary aim industrialisation. It was contended that socialist centralisation was cheaper, simpler and better in every way than capitalist centralisation. No evidence in support of such a claim was adduced; nor, indeed, could any be adduced, since Bolshevism had so far proved an economic failure.

Industrialisation was indispensable for the continuance of the soviet régime. In framing projects for its intensive pursuit, the department took full advantage of modern knowledge, and particularly of American achievement. Thus elaborate schemes were drafted for the scientific utilisation of fuel, the development of power resources, the reconstruction of plant and the replacement of men by machinery.

The fundamental principles upon which the plan was based are briefly described in the following two paragraphs :

The necessary capital must be found within the country, not obtained from abroad. This accumulation will be rendered possible by severe curtailment of the primary needs of the population. By reducing personal consumption, in the first year 22.6 per cent. and in the fifth or last year as much as 33.6 per cent. of the national income will be diverted to capital accumulation.

More attention will be paid to the industries in-

dispensable for war purposes and for the manufacture of means of production to be used in the manufacture of further means of production than to those industries which manufacture means of production for the manufacture of articles of common consumption. Yet in spite of this circumstance by 1928-29 the shortage of these articles will be alleviated, and by 1929-30 will wholly disappear.

The plan contained no original project. It merely sought to accomplish that which enlightened men of all nations had long advocated, and never more ardently than during recent times—rational production and distribution. It was remarkable, perhaps, that in a country so deeply impoverished a scheme so vast and calling for expenditure so considerable should have been elaborated with bureaucratic explicitness; even exact hours were allotted as in a railway time-table, for the completion of various marked-off stages.

Russia more than any country was endowed with rich undeveloped resources, and more than any other stood in need of re-equipment and modernisation. Here at least was ground for common agreement, and all Russians, no matter how politically divided, felt that in the abstract many of the projects of the Five-Year Plan were commendable. But serious critics knew that not a few of these projects were for the most part impracticable at the present time, and that even had it been otherwise their realisation under an extravagant and incompetent régime could only be attended by ill-consequence.

Rapidity of execution was an indispensable condition of the plan. Within the short space of five years an industrial revolution was to be accomplished. Great cities were to arise in regions where hitherto life had been primitive. Many works, factories, and farms were planned on a gigantesque scale; the deliberate aim was to create enterprises larger than any existing elsewhere in the world.

In examining the plan in detail comparison may not

unfairly be drawn between the results which it seeks to attain and the achievements of other countries, for the ruling Bolsheviks persistently boasted that soviet industry was fast surpassing all its capitalist rivals.

The plan contemplated in prices estimated for each year a total capital investment of 64,000 million rubles (£6,400,000,000). At the end of the financial year 1927-28, when the plan was put into operation, the wealth of the population of Russia was less than that of the very much smaller population of Canada; and were the plan to be fulfilled, would have amounted to not more than a seventh of the wealth of the population of the United States in 1929.

Production of electric power to the extent of 22,000 million kilowatt hours yearly was projected five years hence. Should this expansion be accomplished, the quantity of electric power available in Russia would yet be only a fifth of that in use in the United States in 1929.

According to the plan, by 1933 the coal output was to be raised to 75,000,000 tons yearly, a quantity only one-seventh of that mined and consumed within the United States in 1929. By 1933 the production of ore was to be increased to 21.7 million tons yearly—that is to say, nearly doubled. In the United States the production of ore in 1929 was 142 million tons.

For the whole five-year period of the plan the total production of pig-iron was to be 32.7 million tons. The production of pig-iron in the United States for one year alone—1929—was nearly 42 million tons. Likewise the production of steel throughout the whole period was to total 35 million tons. In the United States the production of steel in 1929 was 56 million tons.

By 1933 the amount of capital invested in the chemical industry was to be £40,000,000. The capital of one chemical combine in Great Britain is £95,000,000.

A sum approximating £100,000,000 was allocated for urban housing construction during five years. It may be remarked that during the three years prior to 1929

English building societies advanced £150,000,000 for the purchase of houses, most of which were new. If other sources of capital were considered, the amount expended on housing in this country would appear very much larger.

That part of the plan concerned with agriculture projected a swift development of collective farming, the area of which between 1928 and 1933 was to be increased from 2.3 million dessiatins to 26 million dessiatins; 5 million dessiatins were to consist of soviet farms and 21 million dessiatins of collective farms. It was believed that collective production would supply 19.8 per cent. of the total and 43 per cent. of the marketable grain, not including any quantities that might be sold amongst the peasants themselves. As mentioned before, it was also believed that at the end of the five years the collective farms would include 20 million individuals, that is to say, all the members of about 6 million peasant households. Twenty millions represented the number by which the population was expected to increase during this period. If the agricultural part of the Five-Year Plan was realised, the overwhelming majority of the Russian population, numbering 168 millions, would still remain individual collectors. It was asked: "In what respect, therefore, would socialism gain, and how would the condition of the masses be bettered?" The answer was that an abundance of food would be assured for the proletariat, and that the yield from collectivised areas would increase twice as fast as that from areas cultivated by individual peasant households. In view of past experience, it was problematical whether collectivisation would relieve the towns of dependence upon individual households as regards food supplies, whilst even if the yield were raised as predicted, it would still have remained far below Western European standards.

The source of Bolshevik confidence was a determination to effect a technical revolution in the methods of

agriculture. It was laid down that during the five years 170,000 tractors should be brought into use, chemical fertilisers freely applied and selected seeds sown.<sup>1</sup> "The practical idea behind the organisational form of collective farming," it was said, "should be that of central machinery and tractor stations serving a group of villages and of their eventual transformation into centres of power supply and agricultural aid in a broad sense." Intensive cultivation, the authors of the plan declared, was the only means possible for providing food for the rapidly multiplying number of mouths. The crucial issue facing the Bolsheviks had resolved itself into this: would the food needs of a rising population increase at a faster rate than production from the soil?

The number of tractors which it was planned to possess at the end of five years was not more than a third of the total in use in the United States in 1929. But mechanisation, no matter how widespread and efficient, could accomplish little if the earth itself were impoverished. And in many regions of Russia the soil showed signs of exhaustion. The Five-Year Plan made provision for the use of 7 million tons of mineral fertilisers each year, including 800,000 tons of nitrogen. In 1928 the output of nitrogen amounted only to 5,000 tons, less than a sixtieth of that of the United States.

Optimism, the dominant note of the Five-Year Plan, was well sustained in that section dealing with foreign trade. It was anticipated that by 1932-33 the value of exports, calculated in pre-war prices, would increase by 22 per cent. in comparison with that in the period 1909-13. The character of the exports was to reflect "a radical change in the entire economic structure of the Soviet Union." Industrial commodities, which in 1909-13 represented 19.2 per cent. of the exports of Russia, were by 1932-33 to be increased to 49.5 per cent.; and agricultural commodities, which in

<sup>1</sup> "Five-Year Development Programme," by the Præsidium of the State Planning Department, page 85. (George Allen & Unwin.)

1909-13 represented 80.8 per cent. of the exports, were by 1932-33 to be decreased to 49.5 per cent.

But it was explained that even this last figure would be in excess of the corresponding figures for the years prior to the initiation of the plan. Whilst the export of grain was to increase, it would remain considerably below that of the pre-war days. The deficiency was to be made up by "the refined and processed products of intensive farming" and by industrial commodities. To anyone acquainted with the backward condition of agriculture under the soviet system, the implied suggestion that it could attain to a high standard of scientific efficiency within five years appeared grotesque.

The plan was no less hopeful of imports than of exports. It was estimated that by 1932-33 their total, calculated in pre-war values, would have increased by 80 per cent. compared with 1927-28. In the beginning the bulk was to consist of machinery and commodities necessary for production. But it was promised that towards the end of the period more consumers' goods would be imported, such as "tea, coffee, cocoa, oranges and lemons, due to the improvement in the general standard of living." Impoverished indeed must be the country which lacks these not excessively luxurious commodities, and which is asked by its rulers to wait five years for a sufficiency of them. Consumers' goods were to come mainly from oriental countries, with which at the same time a much increased export trade was to be done.

It was estimated that during the five years duration of the plan the total fixed capital (calculated in 1925-26 prices) would increase from 70,000 million rubles to 127,000 million; that the proportion of it in industry would rise from 8.14 per cent. to 22.9 per cent., whilst that in agriculture would decline from 41.0 per cent. to 30.4 per cent.; and that the proportions in other sections of the national economy, as, for example, electrification, transport and housing, would also have

to undergo readjustments. It was also estimated that, of the total fixed capital, the socialised percentage would increase from 52.7 to 68.9, whilst the individualised percentage would decline from 47.3 to 31.1.

Provision was made for a larger expansion of industry than of any other branch of production. In general it was hoped to increase considerably the capital of productive and distributive processes. The object in view was to put an end to the continuous famine in goods. It was assumed that the workers would spend less on agricultural and manufactured products, the peasants more on manufactured products, and that the expenditure of both classes on cultural needs would rise. Altogether it was presupposed that in 1933 each individual would consume twice as many essential articles as he had done in 1928. This presupposition was based upon the hope that by then prices would have been reduced to the level of those prevailing in western countries. Thus, after sixteen years of power, the Bolsheviks set themselves no greater ideal than that of producing as cheaply as their capitalist rivals.

Such an ideal was formulated upon a series of presumptions: "The indicated increase in output of state-owned industries must be attained with an increase of only 33 per cent. in the number of workers employed, combined with an increase of 110 per cent. in the average production per worker and a gain of 70.5 per cent. in real wages. At the same time, consequent upon industrial reconstruction, the rate of consumption of fuel in relation to output will be reduced by 30 per cent. on the average, that of agricultural raw materials per unit of output by 18 per cent., and that of industrial raw materials by 28 per cent. These factors, together with all other technical improvements, will mean a 35 per cent. reduction in the cost of industrial production."

At the same time it was confidently believed that the rate of expansion of recent years could be maintained, and even improved upon, and that by 1933 about

35 per cent. of the total industrial output would "come from new enterprises, not including old plants reconstructed during the period."

During the five years, in terms of prices estimated for each year, the national income was to increase from 24·7 milliard rubles to 43·3 milliard rubles. This increase, it was said, would mean an annual growth of over 10 per cent.; or, calculated per capita, of 7 per cent., which by 1933 would raise the income of each individual to 60 per cent. above the pre-war level. Further, it was pointed out that in the preceding five years—1924-28—the per capita income increased at the rate of about 10 per cent. annually. No capitalist country, it was asserted, could equalise such an achievement, and it was emphasised that, a quarter of a century before the war, none had increased its income to an appreciable extent. But the authors of the Five-Year Plan appeared to be unaware of the fact that, when large tracts of land suitable for cultivation become available for exploitation, or when industrial plants which have been idle or working at low capacity for some time can be brought into operation, production, and consequently national income, may take rapid leaps forward. Such has been the experience of the United States and other countries after periods of severe depression. By considering average increases in capitalist countries over a long period, the Bolsheviks avoided all reference to shorter periods when increases were rapid, and thus were able to construct illusory data. Had they judged their own progress over a correspondingly lengthy period, they would have found much less cause for complacency.

It may be pointed out that, should the Five-Year Plan be fully realised, the national income of Soviet Russia, with a population estimated to have grown to 168 million, would approximate only to the national income of Great Britain, with a population of 45 million; and that the per capita income in Soviet Russia would then be only 256 rubles, compared with 800-900 rubles, the

estimated per capita income in Great Britain. It may also be mentioned that in the United States in 1928 the total net income of individuals paying income tax amounted to £6,832,600,000, or £2,532,600,000 in excess of the *whole* national income estimated for Soviet Russia in 1933; also that the average net income of each of these individuals was 12,160 rubles.

The Five-Year Plan called for a total expenditure of 86,000 million rubles (£8,600,000,000) exclusive of working capital. No new device for the raising of this sum was contemplated, nor, indeed, was any possible, within the limits of the soviet system. No promise was given to alleviate state impositions. Less was to be taken from the budget for industrial expansion than had hitherto been done. It was hoped that socialist enterprises would become profitable. This hope could be realised only by the creation or enlargement of the margin between production costs and prices. But it was found that prices could not be reduced too drastically, because they were a convenient mechanism for the extraction of wealth from the people. This mechanism was certainly arbitrary, but it was less so than taxation and forced loans. In the words of the authors of the plan, the budget (by which was really meant the last mentioned two sources of revenue) "will still play the rôle of the chief financial weapon of the country, and will even strengthen its importance as a redistributor of the national income."

A certain readjustment involving a slight reduction of taxation was contemplated. With this in view it was proposed that by 1932-33 taxation should yield 64.5 per cent. of the whole revenue, of which direct taxation should amount to 34.4 per cent. and indirect taxation to 28 per cent. In 1927-28 all taxation yielded 67.9 per cent. of the whole revenue, direct taxation amounting to 28.4 per cent. and indirect taxation to 36.9 per cent. It was proposed that the proportion of the national income absorbed in the budget, that is in government ex-

penditure, should be increased ; and by 1932-33 should reach 32 per cent. It was frankly avowed that the financial plan had been formulated with class bias ; at the same time it was pointed out that without the participation of the overwhelming majority of the working population its fulfilment would be impossible. The claim was made that the return to the proletariat for its payments to the socialist treasury was considerable, special mention being made of the advantages derivable from co-operative organisation, collective farming, and housing schemes. It was emphasised that the success of the financial part of the Five-Year Plan, upon which everything depended, called for high efficiency, strict economy, the strengthening of credit and the stabilisation of the chervonets.

The plan raised the question of the efficiency of labour. Between 1921-22 and 1927-28 higher education had been on the decline ; the number of institutions devoted to this purpose having decreased from 278 to 129 and their students from 224,000 to 158,000. It was calculated that during the five-year period there would be a shortage of at least 5,000 superior engineers. This deficiency was ascribed to the small proportion of students who yearly graduated. The remedy proposed was to shorten, but intensify the training, and to modify the curricula. In other words, the standard of proficiency was to be lowered. The insufficiency of subordinate technicians—that is, of foremen and overseers—was still more marked, amounting to not less than 22,000. It was suggested that, in order to train this additional number, new evening schools should be opened. Of skilled labour, it was said that it needed “a higher technical and cultural level,” and it was admitted that “already there is keenly felt a growing contradiction between the efficiency of the new equipment and the low technical culture of the worker attending it.”

The section of the plan that dealt with transport contained a striking revelation concerning the personnel of

the railways. It was said, for instance, that of the 9,600 posts rightly intended for engineers, only 3,600 were so occupied, the remainder were held by foremen and undergraduates. The plan required that the number of engineers should be increased to 6,400. No indication was given of how this project was to be carried out. It was simply stated that the higher technical schools would be required to train more men. Of subordinate railway technicians it was estimated that an increase of 12,000 would be necessary by 1932-33. The existing schools were incapable of meeting this requirement; and others would therefore have to be established.

Still larger than the demand for skilled industrial labour was the demand for skilled agricultural labour. It was computed that the Five-Year Plan would require an increase in the number of agronomists from 9,500 to 23,000, and that, in addition, it would necessitate an "army of about 250,000 skilled workers, 200,000 being tractor operators, the remainder mechanics." Again, there was no formulation of a scheme for the creation of these hosts of experts. It was simply laid down that the schools must see to it that the required numbers were forthcoming at the proper time. Meanwhile it was declared that nothing could be done "without a general cultural advance of the country, the introduction of universal education, the abolition of illiteracy and the growth of a genuine civic movement aiming at a rapid improvement of the cultural and technical equipment of the masses." The chief means suggested for bringing about this vast transformation in a country, the majority of whose 140 million inhabitants still could not read and write, was teaching by correspondence.

For the labour, as for other problems, the Five-Year Plan had a ready solution. It was pointed out that the yearly growth of the population of Soviet Russia was 3·5 millions, 1 million in excess of that of all the countries of Western Europe; and that the urban population of Soviet Russia increased yearly by 5 per cent.; 2 per cent.

more than the increase in the urban populations of the principal countries of the West. But neither circumstance caused anxiety to the authors of the plan. Again, the argument was advanced that under soviet conditions, contrary to those of a capitalist régime, rationalisation involved an increase in the number of workers in employment. In 1927-28 registered wage-earners numbered 11,300,000, of whom 2 million were agricultural labourers and 3 million officials. The total represented an increase of about 1½ million over that of the preceding year; and it was estimated that if the Five-Year Plan were carried out there would be a further increase of nearly 4 million by 1932-33. But soviet economists were wrong in thinking that only in Russia had expansion of employment occurred. In all leading industrial countries at that time, although many people were idle, the number in work was higher than that of pre-war times. This number, moreover, was enormously in excess of the corresponding figure for Soviet Russia. It must also not be lost sight of that, whereas capitalist nations were reorganising already well-established industries, Russia in reality was only beginning the creation of industry on a modern scale, and that, whereas the one was faced with the problem of over-production, the other was suffering from under-production. In these peculiar circumstances expansion of employment was almost inevitable in Russia. Yet the Bolsheviks had no hope of eradicating unemployment altogether. According to the authors of the Five-Year Plan, "the number of registered unemployed will be reduced from 1·1 million in 1927-28 to 400,000 in 1932-33, which may be regarded as almost the normal amount of unemployment technically unavoidable in the regular course of economic life, including as it does unemployment resulting from labour turnover, etc." Marx and Marxists had always held that permanent unemployment was an evil peculiar to capitalism.

## CHAPTER XLIV

FIRST YEAR OF THE FIVE-YEAR PLAN—RESULTS IN AGRICULTURE—STAMPEDE INTO COLLECTIVE FARMS—HUNGER IN THE TOWNS—RESULTS IN INDUSTRY—INCREASE IN THE CURRENCY IN CIRCULATION—SOVIET AND TSARIST BUDGETS COMPARED (1928–29).

DURING 1928–29 the familiar problems remained. The year was notable in that it was the first of the five years allotted to the carrying out of the new economic plan, the objects of which were: (1) industrialisation, (2) agricultural collectivisation. Such aims were not new to Bolshevism. The novelty was the resolve of the ruling oligarchy to pursue them with an energy hitherto unsurpassed. The immediate consequence was the intensification of conflict with the countryside, which had been continuously in progress for twelve years. In this conflict the chief weapon of the peasantry was their food blockade of the towns; this blockade had never been relinquished, and was only relaxed whenever pressure upon the village was relaxed.

Early in 1929 the grain reserve showed signs of exhaustion. It was therefore decreed that at harvest time furious efforts were to be made to extract corn from the peasants; that each local administrative unit, uyezd, volost and village, should be required to give a stipulated quota; that the contribution of each separate household should be regulated according to its material possessions. It was also prescribed that peasants other than kulaks should be subjected to rigorous surveillance, that officials entrusted with collecting grain should be assisted by committees of both middle and poor

peasants instead of poor peasants only, as was formerly the case. In particular, drastic powers were conferred upon communist youth, who were enjoined to proceed in masses to the country, there to stimulate the peasants to rival one another in handing over grain to state agents, to arouse public opinion against those peasants who defaulted in this duty, and to incite farm labourers to be on their guard against the least evasiveness or deception on the part of their employers. Trade Unions were directed to form labour brigades for the purpose of assisting in the harvesting and transportation of crops, thus depriving the peasants of opportunity to dispose of their produce on a free market. All these injunctions were hardly less severe than those of the early epoch of communism. Certainly, the zeal with which they were enforced was reminiscent of the most tyrannical days of Bolshevism.

The mood of the peasantry at this period was reflected in conversations which were recorded in the Bolshevik Press. A mujik was asked: "Now, citizen, are you satisfied with the revolution?" "What shall we say, your honour?" was the answer. "Something fell into the mouth. You couldn't tell what it was. You were afraid to swallow it. Yet it was a pity to spit it out." The peasant meant that earth had fallen into the mouth; this was his way of saying that the revolution had made him a gift of the land, but under such conditions that he was unable to turn it to account.

Another peasant replied to a communist interrogator: "The land is ours, comrade, but the bread is yours; the harvest is ours, but the corn is yours; the forest is ours, but the timber is yours. Everything, in fact, is ours, but we can't bite anything."

A third peasant remarked: "The mujik does the sowing, but the commissars take the harvest."

As the efforts of the state agents to extract grain grew more relentless, so the resistance of the peasantry became more cunning, more obstinate. As usual, the kulak led

the hostility of the village, but on this occasion won more adherents than in former years.

Young communist women went amongst the peasantry, and pleaded with them to give up grain. "In the towns," they said, "everyone is on rations."

"But we have to tighten our belts and give bread also!" answered the peasants. Some of them mockingly repeated the slogan which the Bolsheviks had used years before when they were striving for power: "Peace! Bread! Freedom!"

Against recalcitrant peasants the communists organised social boycotts. Often the outcasts retaliated by beating the agitators, some of whom were savagely done to death. Often, too, state barns were fired. Terror met terror. Fearing a return of famine, the Bolsheviks resorted to panic measures. From many peasants more grain was demanded than they possessed or could supply if they and their families were to survive. Some sold all their belongings and bought grain to hand over to the authorities, others who failed to give up grain had their property seized, and many were arrested and exiled.

In numerous instances taxation higher than was permissible by law was imposed. The sole purpose was not to secure revenue, but to ruin persons regarded as unfriendly to the régime. In several regions these methods aroused frenzied hostility. Mass risings occurred, but they were pitilessly suppressed by the troops of the G.P.U. The millions of ignorant and unarmed mujiks scattered throughout the wilderness of the steppe were incapable of organised resistance, even to the extent of waging guerrilla warfare. During this period thousands of peasants, the descendants of Mennonite and other foreign settlers, migrated across the soviet frontiers.

During 1928-29 the state reserved 713 million poods of grain, about 300 million poods less than was marketed both for home consumption and for exportation prior to 1914; in comparison with the previous year

the quantity of rye collected diminished by 36 million poods, of wheat by  $4\frac{1}{2}$  million poods; only one ton of wheat was exported. In reality the state was in a dilemma from which it could only extricate itself by seizing grain from the peasants. It could not raise fixed prices sufficiently to induce them to part with larger quantities, for these prices had to be kept low in order to facilitate capital accumulation for industrial expansion. The peasant retaliated by reducing cultivation; and free grain prices rose 300 to 500 per cent. above fixed prices.

The grain harvest of 1927-28 had amounted to 4,500 million poods, or five hundred million poods less than the harvest for the pre-war year of 1913. The grain harvest for 1928-29 was one hundred million poods less than that for 1927-28.

It has been said that 1928-29 was the first year of the operation of the Five-Year Plan, also that one of the chief purposes of this plan was the collectivisation in various forms of 6 million peasant households, comprising 20 million persons. A considerable number of state domains were to be established, of which the largest would equal in size an average English county. These domains were to be known as grain factories, a name that not inaccurately described their contemplated character, inasmuch as they were primarily intended to ensure a sufficiency of grain for the towns, thus relieving the socialised proletariat of dependence for food upon the individualised section of the peasantry.

In the year under review (1928-29) the communists sought to achieve collectivisation chiefly by methods of persuasion. The picture which they painted to the peasants was attractively coloured. "Collectivisation," they said, "will result in mechanisation, alleviation from toil, flowing streams of golden grain, bright comfortable dwellings, schools, hospitals, clubs and crèches."

"That would be good business," exclaimed one peasant with a laugh. Then after a pause he added: "You make a beginning, and then perhaps we shall find

the strength to follow. But not at once. . . . The elbow is close, but you can't bite it."

"If I get up at dawn and my neighbour at dinner-time, how about that? Shall we share alike?" asked a second peasant.

"Are the communists going to plough, or are they going to walk up and down with little pencils, making notes?" said a third peasant.

Occasionally a bargain was struck with the peasants, as a consequence of which, in return for the service of the tractors, they undertook to deliver up a portion of their harvest to the state. Then the quietude of the steppe, which had lasted for a thousand years, was broken by the roar of tractor-columns. Deeply and evenly they ploughed broad spaces, destroying as they moved forward the boundaries and ditches that for centuries had divided the land into narrow strips. When their work was done, the prospect was reminiscent of the wide corn-bearing regions of Western America.

Yet always the peasants were distrustful of mechanisation; by 1929 not more than 6 per cent. of the surface of Russia had been ploughed by tractors.

"What is to happen to all the peasants whom machinery gets rid of? Where will they go—into the towns?" shrewdly asked one mujik.

"They must breed stock," was the answer of the communist.

"But there will be too many cattle then."

"Well, in that case they must grow fruit or keep bees."

While up till the present the Bolsheviks had confined themselves largely to persuasive measures as a means of inducing the peasants to abandon individual for collective enterprise, the effect of soviet policy was so to deepen poverty in the village that flight into the collective farms appeared to offer the only possibility of survival. Consequently, during this period there began what could only be described as a stampede towards these farms. No longer able to bear the exactions of the revolutionary

government, which had rid them of the landed proprietors, the peasants now delivered themselves up to be its serfs. Thus liberators turned oppressors, and those who had been freed were enslaved again.

During 1928-29 the number of collective farms increased from 38,000 in 1927-28 to 61,000; of collectivised households from 445,000 to 1 million; of area cultivated by collective methods from 4 million to 10½ million acres; of the value of collective production from 18 million rubles to 40 million rubles, and of the value of the collective produce placed upon the market from 64 million rubles to 150 million rubles. In 1929 the area of state farms reached nearly 3 million acres—an increase of 1,600,000 acres during the year.

Although the increase in the sowing area as a whole projected for the first year of the Five-Year Plan was realised only to the extent of 97·4 per cent., the increases in the sowing areas of collective farms provided for in the Plan were greatly exceeded. But a high price was exacted for these achievements. Hasty collectivisation spread chaos throughout the countryside and as a consequence the food crisis in the towns grew worse.

Manual workers were fairly well supplied with meat and bread, though at times there was a marked scarcity of both. But the shortage of other commodities was serious. Only ½ lb. of butter, 3 lb. of sugar and 25 grams of tea were allowed to each approved person per month. Milk was only available for children under twelve years of age, and then in restricted quantities. The bourgeois were forbidden access to state supplies, and had to pay extortionate prices for their food at the private shops which, despite the obstacles placed in their way, managed at times to get hold of supplies. The queues lengthened. Prices were much higher than those shown in the official index; statistics ceased to have much meaning. There was hoarding of food, and, as usual, the government blamed speculators for the short-

age. Many miners abandoned the Donets region and migrated to other districts in search of food.

The war against private enterprise was waged with increased intensity. Of all industries, the state now owned 78.9 per cent., the co-operative organisations 10.1 per cent., small handicraftsmen 9 per cent., and private individuals 2 per cent. The extent to which individual enterprise had been suppressed may be illustrated by one simple fact: whereas in 1923-24 half the goods turnover of the country was the contribution of independent craftsmen, by 1929 the production from the same source was negligible; the overwhelming majority of craftsmen had been drawn into industrial regions, where they worked in association with large factories. Thousands of petty enterprises employing on an average several individuals were suppressed; even artisans were unable to follow their individual calling, because state trusts deliberately withheld raw materials from them.

In order that the requirements of the Five-Year Plan should be realised, orders were issued to all factories that they forthwith increase the volume and lower the cost of their production. Both objects were achieved to some extent, but at the expense of a marked deterioration in the already poor quality of many commodities. At a Conference of the Præsidium of the Supreme Economic Council it was mentioned that half the agricultural machinery produced in the country was useless, and that wool, cotton, leather, porcelain, rubber and metal goods were below the required standard of quality. One speaker, repeating what Dzerzhinski had said many years before, declared that soviet industry employed its monopolistic powers to rob the consumer. It was mentioned in the *Isvestia* that during 1928-29, owing to negligent management, the percentage of damaged goods in the Sklianski factory belonging to the first wool trust was 42 per cent., and that for the same reason in a cloth factory belonging to the Moscow region wool trust the percentage of damaged goods was as high as 63 per cent.

The increase in the gross production of all industry provided for in the first year of the Five-Year Plan was exceeded. The Plan anticipated that in pre-war prices the gross value of this production would be 12,960 million rubles, or 153.7 per cent. of that of production in 1913; actually during 1928-29 the gross value of production reached 14,550 million rubles, or 172.6 per cent. of production in 1913.

The following table shows in percentages the increases in production over the previous year for which the Five-Year Plan provided, and the extent, also in percentages, by which these planned increases were realised:—

	Planned.	Accomplished.
Large-scale industry	21.3	23.4
Means of production	25.3	26.2
Consumption goods	18.6	21.0
Coal	16.1	12.5
Pig-iron	24.2	22.5
Steel	18.4	13.5

The increase in the production of goods was accompanied by a marked increase in the currency in circulation. Without any addition being made to the reserve of firm cover the currency in circulation increased by 34 per cent. ; on the other hand, the national income—that is, the value of all production—increased only by 10 per cent. It is true that this rate of growth was higher than that attained in capitalist countries ; but owing to the extreme shortage of consumable goods and the high prices of those that were available the people derived little benefit.

Of industrial production during 1928-29, little more than a third consisted of articles for consumption ; the remainder were articles required for manufacture. The capital invested was divided in about the same proportion between these two spheres. Foreign trade increased but little ; in value it remained one milliard rubles less than in pre-war days ; but there was a favourable balance of 42 million rubles calculated at prevalent prices. Timber and oil accounted for more than a third of the

exports. Means of production comprised 86.8 per cent., articles of general consumption only 13 per cent. of the imports.

The state budget for the financial year (1928-29) was a typical soviet budget. The following items extracted from it are of special interest:

	Revenue.	Expenditure.
State forests . . .	303,768,000 rubles	46,499,000 rubles
State industry . . .	269,689,000 , ,	922,104,000 , ,
State trade . . .	32,394,000 , ,	187,134,000 , ,
State postal and transport services . . .	2,388,744,000 , ,	2,356,702,000 , ,

The total revenue from state property and enterprise of all kinds, excluding transport and communications, had grown considerably during the last few years. In 1928-29 it was 812,448,000 rubles—more than four times in excess of the total from corresponding sources in 1926-27. Attention should be drawn to the fact that the contribution from forest exploitation was very large. If the increase in the revenue from state undertakings was considerable, the corresponding increase in expenditure was still more so. It was said that much of this expenditure had been incurred for industrial expansion. But the results of this expansion were still very imperfect, for state industry supplied neither a sufficiency of goods, nor yet paid its way.

In 1928-29 revenue from concessions amounted only to 5,095,000 rubles, which was actually less than in the previous year. The yield from indirect taxation was almost as large as that from direct taxation; to this yield the revenue from excise—that is, chiefly from the state vodka monopoly—contributed 2,217,200,000 rubles out of a total of 2,589,200,000 rubles. Revenue from all the sources mentioned being insufficient to meet the expenditure for the year 1928-29, state loans amounting to 703,152,000 rubles provided the balance. But, as has already been explained, loans in Soviet Russia were very much in the nature of forced levies.

It will be seen from the foregoing analysis of Russia's budget and foreign trade that in the twelfth year of the revolution the main sources of state income were derived from felling timber, pumping up oil, manufacturing vodka, and confiscating wealth.

Striking facts emerge from a comparison of Bolshevik and Tsarist budgets. Revenue from taxation of all kinds in 1925-26 was 1,695,443,807 rubles; in 1928-29, 3,960,018,000 rubles; and in the pre-revolutionary year, 1914, 1,798,016,000 rubles. The difference between the two last totals was largely accounted for by the difference between amounts of direct taxation; even when allowance had been made for the fall in purchasing power of the ruble, the contribution from direct taxation in 1928-29 was nearly three times greater than in 1914.

Yearly taxation per capita (direct and indirect), which in 1925-26 had been 11 rubles, increased to 25 rubles in 1928-29, compared with 10 rubles in 1914. Again the question arose: was taxation in Soviet Russia lighter than before the war? In 1925-26 the Bolsheviks confidently answered that it was. But the proof which they then produced was not satisfactory. The issue rested upon the relationship of per capita taxation to per capita income. According to Bolshevik statistics, per capita income in 1928-29 (calculated in 1926-27 prices) was 175 rubles. The amount of such income in pre-war times was 101.3 rubles. It would appear that, whereas under Tsarism taxation took a fraction more than one-tenth of each individual's yearly income, under Bolshevism in 1928-29, it took about one-seventh.

In the Bolshevik budget of 1928-29 revenue from state property and enterprise was set down at 822,448,000 rubles. In 1914 state property yielded to the Tsarist budget 964½ million rubles, in 1913 over 1,000 million rubles. It must be remembered that under Bolshevism all large industry was nationalised, also that budget expenditures on its behalf always exceeded allocations to revenues from profits.

A comparison of the incomes of capitalist enterprise in the United States and socialised enterprise in Soviet Russia afforded interesting results. In 1928, 257,353 corporations in the United States made returns to the income-tax authorities showing an aggregate net income of 19,076 million rubles—more than twenty times in excess of the revenue from all nationalised enterprise in the soviet budget of 1928–29.

More than half of the expenditure of the soviet budget for 1928–29 was devoted to the financing and extension of nationalised undertakings. The Bolsheviks claimed that allowing for the fall in the purchasing power of the ruble, expenditure for the army and navy was less than in pre-war Tsarist times. This contention was true; but if the same allowance were applied to expenditure on behalf of education, then it would be found that in 1914 the Tsarist government spent as much as, and in 1916 considerably more than, the Bolsheviks devoted to this purpose in 1928–29.

In 1928–29, for the first time during the soviet régime, a computation was made of the total revenue from nationalised industry which appeared not merely in the state budget, but also in all local budgets, and included not merely allocations from so-called profits, but also all amounts contributed in the form of levies and taxation. The figure arrived at was  $3\frac{1}{2}$  milliard rubles. At the same time a computation was made of the expenditure of all kinds incurred on behalf of nationalised industry, not merely in the state, but also in all local budgets. The figure arrived at was 1,327 million rubles. According to these comprehensive calculations, there was an enormous balance of 2,173 million rubles in favour of nationalised industry. The comment was thereupon made by a noted soviet writer<sup>1</sup>: “We reach the conclusion that budgetary expenditure for industry is

<sup>1</sup> “A. F. Kr.,” “The New Etape; Socialist Construction,” Institute of Economic Research and State Planning Department (Gosplan), 1930.

essentially a refund of values already turned over by industry. Industry, therefore, does not receive funds from external sources; on the contrary, it contributes considerable sums towards general state expenditure. We may consider that with the increased loading of fixed capital the accumulation fund of industry grows in approximately the same proportion as the surplus product is converted into commodities in industrial production. But the question is complicated by the fact that the prices of industrial commodities include not only surplus products manufactured within industry, but, as a means of re-distributing the income of the population, also mobilise the surplus production of other branches."

The foregoing figures and remarks went to the root of the conflict between Bolshevism and Capitalism. They raised afresh a number of important questions—for example, could it be said that socialised industry was profitable, and what was the distinction between surplus value under socialism and under capitalism? First it was sought to show that if the budget expenditure on behalf of nationalised industry exceeded the sums allocated from it, the situation was entirely reversed when taxation and levies contributed by nationalised industry to state revenues were taken into account; nationalised industry it was claimed then gave very much more than it received, and was thus highly profitable. Such an interpretation was specious and untenable. The placing of taxation in the same category as profit could not be justified. Capitalist industry paid taxation, yet never counted it as profit, and socialised industry was not justified in acting differently in this regard. Furthermore, the circumstance was not made clear that no matter what form they took, all contributions to the budgets from socialised industry were drawn from the pockets of the population. One of the chief means employed for this purpose, apart from taxation, was the pricing of manufactured commodities, the production and distribution of which were virtually monopolised by the government.

Always it must be kept in mind that the overwhelming majority of the population was composed of peasants—in other words, of small producers; that socialised industry subsisted mainly upon the wealth of individuals; and that any surplus value which it realised was the consequence largely of extortion levied in the form of high prices.

Naturally, soviet economists were anxious to demonstrate that in fact socialised industry had created a considerable margin of surplus product or value.<sup>1</sup> But in what manner was this surplus value realised? Soviet economists did not say that profit was derived from it; and indeed it was difficult to see how they could have said so, for socialised industry continuously showed deficit, not profit. Nevertheless, they asserted that all expenditure provided for in the budget on behalf of industry was merely a refund of sums previously handed over to it by industry, and that, in addition, industry made large contributions to the general expenditure of the state. But it was important to bear in mind that these refunds and contributions consisted chiefly of the proceeds of taxation. Thus the right hand took from the left; the state taxed its own industry for the benefit of its own treasury. Actually the population, not the state, paid this taxation; for industry recouped itself through the instrumentality of high prices, and the socialised as well as the non-socialised section of the workers and peasants had no other alternative than to pay what was required of them.

What did soviet experts mean when they said that prices afforded a means of redistributing the income of the population, thus mobilising the surplus production of branches of soviet economy other than state industry? In plain language they meant that by manipulating the prices of essential commodities the government attracted to itself a considerable part of the production of individual producers, whose wealth was diminished proportionately. But it was absurd to say that the amount so extracted

<sup>1</sup> See Chapter XXVII.

should be regarded as surplus produce, for more often than not it amounted to nothing more nor less than expropriation of the bare necessities of life. Much of the revenue which the state secured in this way was devoted to non-productive objects. Much of it was also utilised for the expansion of socialised fixed capital. But it was unsound that such expansion should have been accomplished to so large an extent by the confiscation of individualised values, not by the creation of socialised values. After twelve years it was not unreasonable to expect that soviet industry should have shown a clear profit; or that, at least, it should have produced a sufficiency of goods to satisfy the primary needs of the population.

## CHAPTER XLV

### THE ACCUMULATION OF CAPITAL—LARGE INCREASE IN THE MEANS OF PRODUCTION—INTENSIVE USE OF LABOUR AND EQUIPMENT—SOCIALIST RATIONALISATION (1926–30).

FROM time to time references have been made to the accumulation of capital funds by the soviet state. The question is of first importance, and on that account merits comprehensive treatment. Hitherto it has too often been discussed from an entirely false angle. Many writers assumed that because the accumulation of capital funds was considerable the economic success of the soviet system was achieved. But they failed to perceive that such accumulation was largely the consequence of the appropriation of wealth earned by private enterprise, that it was effected by the forced lowering of consumption; that the capital administered by the soviet state was non-productive of profit; and that socialist industry based upon this capital was incapable of bringing forth a sufficiency of goods to satisfy the most elementary needs of the population.

Capital funds were composed of (1) fixed (or basic) capital, (2) circulating capital.

Fixed capital consisted of: (1) means of production for the production of further means of production, (2) means of production for the production of articles of consumption. In the following pages, for the sake of convenience, the one will be alluded to as "means of production," the other as "means of consumption"—abbreviations which are commonly used in Bolshevik economic literature. The chief interest of the informa-

tion here presented is the light which it throws upon the determination of the Soviet Government to increase the manufacture of plant and equipment at the expense of the manufacture of consumable commodities urgently needed by the population.

Statistics<sup>1</sup> of fixed capital which included buildings, machinery, equipment, public works, etc., were related to three spheres: (1) production, (2) distribution, (3) social services. In each sphere, calculated in 1926-27 prices, were shown for the economic year: the value of the means of production, the value of the means of consumption.

During the five years from 1925 to 1929 inclusive, the fixed capital in the sphere of production—that is, of industry<sup>2</sup> and agriculture—increased from 11,278 million rubles to 30,424 million rubles. Growth was persistent, proceeding each year at the following rates: in 1926, 1,603 million rubles; in 1927, 2,031 million rubles; in 1928, 2,297 million rubles; in 1929, 2,589 million rubles. Each year up to 1929 the proportion representing means of production was larger by several per cent. than that representing means of consumption. In 1929 the relative proportions were: means of production 55.9 per cent., means of consumption 44.1 per cent. It was anticipated that by 1930 the total fund of fixed capital would reach 34,996 million rubles, and that the relative proportions would then be as follows: means of production 58.5 per cent., means of consumption 41.5 per cent.

Industrial fixed capital increased faster than agricultural fixed capital. In 1925 it totalled 6,717 million rubles, and in 1929, 12,013 million rubles. The annual increase was as follows: in 1926, 650 million rubles;

<sup>1</sup> Extracted from material in the chapter entitled "Process of Accumulation in S.S.S.R." by S. Rozental in "The New Etape; Socialist Construction;" Institute of Economic Research and the State Planning Department, 1930.

<sup>2</sup> With industry is included electrical and various communal enterprises.

in 1927, 1,082 million rubles; in 1928, 963 million rubles; in 1929, 2,601 million rubles. In 1925 the fixed capital of agriculture totalled 15,187 million rubles, and in 1929, 18,411 million rubles. The annual increase was as follows: in 1926, 953 million rubles; in 1927, 949 million rubles; in 1928, 834 million rubles; in 1929, 488 million rubles.

Considering industry and agriculture separately, the proportions for later years were:

1929. Means of production: industry 56.2 per cent.; agriculture 55.7 per cent. Means of consumption: industry 43.8 per cent.; agriculture 44.3 per cent.

1930. Means of production: industry 61.3 per cent.; agriculture 56.0 per cent. Means of consumption: industry 38.7 per cent.; agriculture 44.0 per cent.

The foregoing figures show that the nation's resources were largely devoted to the manufacture of means of production. They explained therefore one of the chief reasons for the acute shortage of consumable goods.

In the sphere of distribution—that is, of transport and communications, and trade—the statistics regarding fixed capital were also striking. In the five years from 1925 to 1929 inclusive its total accumulation increased from 6,904 million rubles to 13,994 million rubles. In the section concerned with transport and communications the excess of means of production over means of consumption was marked. Up till 1929 this excess was never less than 23 per cent.; in 1928 it amounted to 33 per cent, and in 1929 to as much as 53 per cent. In 1930 relative proportions were expected to be as follows: means of production 78.5 per cent., means of consumption 21.5 per cent.

As regards trade, a contrary tendency might have been looked for. Yet after 1927 the fixed capital of means of production exceeded that of means of consumption. In 1929 the relative proportions were 56.8 per cent. and

43.2 per cent.; in 1930, 60 per cent. and 40 per cent. respectively.

The fixed capital of all three spheres, production, distribution and social services, increased from 60,030 million rubles in 1925 to 74,624 million rubles in 1929. In 1930 it was expected to reach 83,924 million rubles.

Statistics<sup>1</sup> of circulating capital—that is, capital composed chiefly of raw materials, metals, minerals, and agricultural produce—related to three spheres: (1) production; (2) distribution; (3) reserves of means of consumption. During the five years from 1925 to 1929, calculated in 1926–27 prices, the circulating capital in the sphere of production—that is, of industry and agriculture—increased from 8,097 million rubles to 10,074 million rubles. In 1925 the circulating capital of agriculture was 5,311 million rubles; in 1929, 5,344 million rubles. Thus the increase was hardly perceptible. Industry had a better record; its circulating capital increased each year by the following amounts: in 1926, 227 million rubles; in 1927, 828 million rubles; in 1928, 726 million rubles; in 1929, 162 million rubles. By 1930 circulating capital in production was expected to reach 11,388 million rubles, divided as follows: industry, 5,297 million rubles; and agriculture, 6,091 million rubles.

From 1925 to 1929 the circulating capital in all three spheres increased from 14,492 million rubles to 18,346 million rubles. It was anticipated that by 1930 the total would reach 21,506 million rubles.

Up to 1929 the fixed capital of agriculture was still larger than that of industry, and it was not contemplated that the situation should be reversed in 1930. Yet industrialisation was proceeding fairly rapidly, if disproportionately; both in agriculture and industry much

<sup>1</sup> Extracted from material in the chapter entitled "Process of Accumulation in S.S.S.R." by S. Rozentul in "The New Etape; Socialist Construction;" Institute of Economic Research and State Planning Department, 1930.

more money was being devoted to the manufacture of means of production than of consumable articles.

Of especial interest was the progress of state industry, for it was upon this branch of the national economy that the future of Bolshevism depended. According to the State Planning Department, the yearly increase of the fixed capital of state industry was as follows: in 1925-26, 8 per cent.; in 1926-27, 13.6 per cent.; in 1927-28, 16.9 per cent.; and in 1928-29, 20.5 per cent. These figures took account of sums set aside for depreciation; had they not done so, then the percentages would have been slightly higher.

In the statistics set forth in the beginning of this chapter figures were included showing the growth of capital accumulation of state industry. "A. Kr." provided alternative data for the year 1928-29.<sup>1</sup> According to his estimate, in that year fixed capital increased by 1,770 million rubles, circulating capital by 430 million rubles, resulting in a total accumulation of 2,200 million rubles. This total was 500 million rubles less than that given for the same period by Rozentul. It is probable that to some extent the two authorities based their calculations upon different materials, or that their definitions were not wholly in accord. But the discrepancy is of no importance for the moment. The outstanding fact was that even the lowest estimate—that of "A. Kr."—showed that in 1928-29, as in the immediately preceding years, the growth of accumulation was substantial. The Bolsheviks asserted with pride that such growth was well in advance of any achieved by capitalist countries. How much of it could be ascribed to improved usage of equipment inherited from the old régime, how much to the creation of new equipment? In the year 1926-27 soviet industry as a whole attained pre-war productivity, and some branches even surpassed

<sup>1</sup> "Use of Basic Funds and Problem of Accumulation," by "A. Kr." in "The New Etape; Socialist Construction;" Institute of Economic Research and State Planning Department, 1930.

it. This achievement was rendered possible by the equipment inherited from capitalist Russia, the renovation of which had then been completed. Thereupon critics said: In the future the pace of development will be much slower than during the reconstruction period which has just closed. The factories and equipment of to-day are those of pre-revolutionary Russia, the only difference being that they are now more worn out, more dilapidated. Yet they produce as much as in 1913, when productivity was at a high level. Consequently how can they possibly be expected to yield more? Henceforth the growth of production will be determined solely by the volume of capital investment. Owing to the financial blockade of Soviet Russia, this volume will, in turn, be determined by the pace of development of national economy and accumulation.

Soviet economists answered that the arguments of the critics were based upon the fallacy that the organisation of factories underwent no improvement when they passed from the anarchic management of capitalism to the planned administration of socialism. They cited the opinion of one authority (Pollak), that on the eve of the war Russian industry was producing to the extent of only half its capacity, a circumstance which they attributed to the extensive loading of equipment and the extensive character of the working day. The working day during the old régime was on the average ten hours; in some industries it was longer. In Soviet Russia the decreed number of working hours in the day was seven. But the number of working days in the year was increased when the Bolsheviks came to power, their extent over and above a prescribed minimum depending upon the decisions of each local administration. It was said that, whereas in 1928-29 the number of hours during which equipment operated daily was in most industries approximately the same as in the pre-revolutionary times, the number of hours during which such equipment operated yearly was slightly above the total of that epoch. Soviet

economists insisted that production had been raised to and carried beyond pre-war level by intensive as opposed to extensive methods—that is, by intensification of the loading of equipment as well as of the productivity of labour. Marx said that the capitalist system involved both extensive and intensive exploitation of labour power. The Bolsheviks reduced the number of working hours in each day, but increased the number of working days in each year, and at the same time intensified the productivity of both labour and equipment. These three measures constituted socialist rationalisation.

That quantitative results were larger under the soviet system than under the capitalist system could not be denied. According to R. B. Kvasha, the gross production for each 1,000 rubles of fixed capital in 1913 was 1,355 rubles; in the first half of 1929–30 it was 2,335 rubles—a gain of 72 per cent.<sup>1</sup> From 1926–27 onwards growth of production was faster than the growth of fixed capital. Soviet economists saw in this circumstance a proof that means of production were employed with increasing efficiency, and that much technical progress was being made. They added that the possibilities of raising production, even with the existing equipment, were limitless. But they omitted to mention that the quality of production was invariably bad, that the cost of production was extremely high, that there was a continuous insufficiency of consumable goods, and that annually heavy losses were incurred by state industry. Nor had they anything to say regarding the excessive strain to which equipment was subjected.

It has been shown that after 1926–27 socialised industry, making use of pre-war equipment only, surpassed pre-war production. The interesting question has yet to be answered: what was the contribution of newly-constructed equipment to production in later years? R. B. Kvasha

<sup>1</sup> "Loading of Industrial Enterprises," by R. B. Kvasha in "The New Etape; Socialist Construction;" Institute of Economic Research and State Planning Department, 1930.

provided the answer.<sup>1</sup> He declared that in the first half of the year 1929-30 the new works established in R.S.F.S.R. accounted for 12·2 per cent. of the total gross production. Corresponding figures for the other republics in the Soviet Union were not then available, but the writer was confident that their contribution could not have been less than that of the chief republic. The following facts stood out conspicuously from the data which have been examined:

Under the Soviet régime industry attained and surpassed pre-war production with the aid of inherited equipment which had to a large extent been reconstructed.

The contribution to production from entirely new works was roughly only 12 per cent.

Certain critics, pointing out that, as technical development proceeded in capitalist countries profit showed a tendency to decline, asserted that under like conditions capital accumulation in Soviet Russia would become more gradual. "A. Kr." replied that this analogy was false. Technical improvement in Soviet Russia, he said, was not effected against the will of those responsible for it, nor were they preoccupied with the problem of the validity or otherwise of capital investment. "Together with the necessity for raising the welfare of the masses," he said, "the internal and external contradictions of the revolution force the pace of our economic development. Hence we subject all forms of technical progress to a certain selectiveness, in accordance with the tasks confronting us. Technical construction under our conditions is required first of all to increase the pace of accumulation."

What did the writer mean by such enigmatic language? He meant that in building up state industry communists were not primarily concerned with the making of profit, but that they had chiefly in mind the improvement of the condition of the workers and the preparation of the country for war as well as for defence against counter-revolution.

<sup>1</sup> See footnote, p. 511.

Consequently, the first consideration was the rapid accumulation of capital. That this capital should earn profit was of secondary importance. As we have seen from previous chapters, such accumulation as had already taken place was largely rendered possible by the expropriation of private wealth.

## CHAPTER XLVI

### A SERIOUS CRISIS—THE DILEMMA OF SOCIALISED INDUSTRY —DISAGREEMENT IN THE COMMUNIST PARTY—DRASTIC MEASURES FOR THE COLLECTIVISATION OF AGRICUL- TURE—WAR UPON THE KULAK—PREPARING TO ABAN- DON THE NEW ECONOMIC POLICY (1930).

IN 1930 the Revolution reached a crisis equal in magnitude to that which nine years before led to the abandonment of communism. For a considerable time Bolshevik leaders had been disputing with each other as to the means that should be adopted for averting this crisis; now, when it was here, they disagreed not less acutely concerning the measures that should be taken to prevent it from developing into calamity.

The crisis consisted in this: hitherto the socialist section of the nation had subsisted upon the individualist section—that is to say, socialised industry and agriculture, together with the vast state bureaucracy, had all been maintained at the expense of private enterprise. The New Policy introduced by Lenin in 1921 merely permitted private enterprise to exist that it might be bled for the sake of socialism. But it became evident that too much was being extracted from the one, not enough received by the other, with the result that both were perishing from economic anæmia. Had socialised enterprise paid its way, had it made a contribution to the cost of its own expansion, then a critical issue might have been averted. But it was incapable of doing this, and from first to last remained a parasitical growth.

The matter may be put in another way: under the New Policy private enterprise, relieved from the restraints

of communism, flourished to a certain extent. All the while it was forced to give up large sums to the state. With part of these sums, the state, sparing no expense, built many factories equipped with modern machinery, a circumstance that conveyed to superficial observers the impression that socialised industry was making magnificent progress. But new factories, as well as old factories, operated at a loss. Thus socialised industry was perpetually insolvent. It was also perpetually inefficient, for, despite the fact that the Bolsheviks asserted that in most branches it surpassed pre-war production, it was incapable of bringing forth a sufficiency of goods to satisfy even the simplest wants of the community.

Soviet industry could be compared to a palace occupied by a bandit. Imposing in appearance, it was built and kept up upon the proceeds of expropriation, not of serious endeavour.

Whenever allusion is made to private enterprise, it must be understood that the private enterprise of the peasantry is chiefly being referred to. By reason of their numbers, they constituted the main source of exploitation for the benefit of socialised industry. In the aggregate they purchased a larger quantity of state goods than any other section of the community. Owing to the extortionate prices required, an enormous sacrifice was imposed upon them. When they came to sell their produce a heavy toll was also taken from them; for the state monopolised the market and fixed its own purchasing prices.

The peasants contributed about one-third to indirect and one-sixth to direct taxation. But in reality such figures conveyed an inadequate idea of the burden which they bore. Considered as a whole, the peasants were the poorest section in the community; taking the smallness of their incomes into account, the taxation which they were called upon to pay was therefore exceedingly high.

Other factors needed to be considered. Penal taxation was imposed upon the wealthier peasants; and for

several years a large portion of the peasantry (about a quarter) had been wholly exempted from taxation because of poverty.

In 1929-30 a new agricultural single tax was introduced. It was levied upon income, either in money or kind, the income being determined in relation to the quantity of land under cultivation or of livestock owned. Rates varied according to the region, but everywhere they were progressive, reaching as high as 30 per cent. of the incomes of middle peasants, and 70 per cent. of those of kulaks. Hitherto for all classes the maximum had been not more than 25 per cent.

The new law increased the proportion of peasants relieved from taxation on account of poverty to 35 per cent. It stipulated that individual households of one or two members having a yearly income of not more than 110 rubles or individual households of five or more members having a yearly income of not more than 150 rubles should be entitled to exemption. Nothing could be more illustrative of the penury of the countryside than the fact that these modest limitations had application to so large a percentage of the peasantry.

The new law also provided that in order to encourage cultivation the acreage sown over and above that of 1928-29 should be exempt from taxation. It was unlikely that much advantage could have been taken of such a privilege, for in Soviet Russia the more rich a man became, the more he was harried and taxed, whilst it not infrequently happened that beneficent laws were suddenly made and almost as suddenly revoked. The effect of all the provisions which have been described was to relieve more than a third of the peasantry from taxation, and to place the whole burden upon the remaining two-thirds. Although the maximum of taxation on individual households was raised, it was anticipated that the total revenue derivable would diminish. In 1925-26 agricultural taxation contributed to state revenue 252 million rubles, in 1928-29 430 million rubles. It was estimated that

in 1929-30 the corresponding amount would be not more than 415 million rubles; and official publications admitted that "the fiscal significance of the new tax will grow less from year to year, but its political and economic importance is expected to increase."

The foregoing facts were significant. They showed that it was becoming increasingly difficult to extract wealth from individual peasants for the support of socialised industry. Other evidence pointing to the same conclusion was available. Statistics showed that the development of agriculture was slowing down. Agricultural production now lagged well behind industrial production. This was not surprising, for, whereas the one was persecuted, the other was pampered. Although both branches of the national economy were interdependent, the degree of dependence was greater in the case of industry, for not merely were its functions largely financed from the earnings of the peasantry, but its workers were fed with the food which the peasantry produced.

In each year of the Bolshevik régime up till 1930 the total yield of the cereal harvest had been less than that of the harvest of 1913 (in some years to the extent of half a million poods or more), and the quantity of cereals marketed had been substantially below the quantity marketed in pre-war times. The prices of all agricultural commodities on the open market had increased considerably of late years.

Whilst agricultural production was slowing down, the growth of the population was speeding up; already there were more mouths than could conveniently be fed. Increasing population was one of the causes of the rapid multiplication of dwarf peasant households which was largely responsible for the insufficiency of agricultural production. A second cause was the desire of the peasants to elude persecution for possessing wealth, a desire which they could only fulfil by reducing their wealth. Millions of dwarf households neither wished to

produce nor were capable of producing a marketable surplus. Indeed with the greatest difficulty they sustained themselves. Statistics compiled in 1928 had shown that half of the sown area was in possession of the poor peasants.

The problem with which the Bolsheviks were faced was therefore many-sided and extremely complicated. Arising from their desire to extract as much wealth as possible from the peasantry was a determination to strive for a greatly enlarged export trade. Since the value of the ruble was depreciating and the purchasing power of the people was restricted, commerce with foreign countries, whose currency was firm, had attractions for a government founded upon Lenin's teaching that anything was justifiable that preserved the proletarian power. As has been explained before, exports consisted largely of commodities sometimes produced at a loss and sometimes sold abroad at a loss. Neither circumstance occasioned the government misgiving. Its main concern was to secure firm foreign currency; as for losses, it easily recovered these by expropriating the wealth of individual citizens, having at the same time the satisfaction of knowing that the low prices which it obtained for its goods abroad demoralised capitalist markets. Whilst, as a consequence of this jugglery, the people were impoverished, the state came into possession of considerable sums and could therefore indulge in extravagance with a degree of complacence. Yet there was a limit to such a method of enrichment, one irrevocably defined by the amount of produce which in the first instance could be extracted from the peasants, and which, in turn, determined to a large extent the volume of exports.

A simple solution, it might have been thought, was to make the peasantry prosperous, to increase the yield and sowing area. But it could not be overlooked that such a solution would have stimulated only the growth of petty capitalists in the village, particularly the kulaks, whom the Bolsheviks had sworn to exterminate.

Apart from the certainty that the enrichment of individual peasant households would strengthen capitalism, there was the further objection to be urged that it could afford no guarantee of a larger marketable surplus. And the Bolsheviks were concerned not so much with the total of agricultural production, as with the proportion that could be extracted for covering the expenditure of their socialist industry and administration.

No other alternative than the wholesale collectivisation of the countryside could be thought of. Compulsory collectivisation had catastrophically failed in the days of War Communism. It survived to a limited extent, but since 1928 persuasive efforts, not always peaceful, had been made to extend it on a wide scale. Information regarding its progress was discouraging. It was said that soviet farms had lately realised only 55·9 per cent. of planned production; and those farms controlled by the Grain Trust had ploughed the earth extensively, but had paid little heed to costs or yields. In the language of one critic: "They threw the soil about according to plan, but nothing came of it."

As mentioned in the beginning of this chapter, it had long been foreseen that a crisis of the kind described was bound to come. For several years the Bolshevik leaders had disputed amongst themselves as to the nature of the solutions to be applied; but it was not until 1928 that a definite cleavage occurred. The Stalin group, which Trotski had called "centrists," then developed leftward tendencies, not unlike those for which he and his associates were later exiled; and a right opposition of considerable strength was formed under the leadership of Buharin (who previously, together with Stalin, had led the attack upon Trotski), Rykov, Frumkin, Tomski and Uglanov. Amongst the adherents of this right opposition were a number of prominent professors and non-political workers. Frumkin, at that time Deputy-Commissar of Finance, after making a tour of the countryside, wrote a sensational letter to the Political Bureau,

in which he said that the whole of the peasantry, with the exception of a few poor, were against the Bolsheviks, that the policy of collectivisation and hostility towards the kulaks had brought the village to despair, that the peasants had no incentive to develop their farms or increase their livestock, that they were paralysed with fear lest they should be taken for kulaks, that they were weighed down with pessimistic feelings, and that, as a consequence of the uncertainty, trade in agricultural machinery was almost at a standstill. Finally, Frumkin asserted that the policy of the Communist Party was leading to the degradation of the peasantry, a phrase of which much was heard later.

In various writings Buharin insisted that the conditions of cereal cultivation were extremely unfavourable, that the increase of sowing area was dangerously insufficient, and that the development of agriculture as a whole failed to keep pace with the development of industry. He opposed the project of wholesale collectivisation of the peasants, and advocated increased liberty for private enterprise in the village. He also argued that so long as the proletarian dictatorship existed, kulaks could be effectually controlled, that they would have no other alternative than to place their capital in soviet banks and co-operative institutions, and that, of necessity, they would have to relinquish all hope of a return to capitalism.

Rykov remarked: "If we are to organise collective farms we must first have tractors; in order to manufacture tractors we must feed workers; and the food is in the hands of the individual farms, not of the collective farms."

At the XVI Congress of the Communist Party in 1929 Mikoyan summarised the various proposals of the right opposition as follows: lowering of the rate of socialist production; lengthening of the period of the Five-Year Plan by two years; concentration upon the development of individual farms, not upon the creation of collective farms; relaxation of the struggle against kulaks and the

cessation of attempts to exterminate them ; abolition of the new taxation ; raising of grain prices ; peaceful absorption of peasants into the socialist system ; abandonment of the offensive against capitalism in the village ; inauguration of a *quite* new economic policy ; free turnover of goods ; normalisation of the market ; and instead of excessive reliance upon the younger generation of specialists, recognition that socialism cannot be achieved without the old specialists. Lastly Mikoyan asserted that the right opposition had " moved away from the Marxian class struggle," that they had accused the party of degeneracy and that they were in agreement with Trotski that socialism could not be attained in one country alone.

Mikoyan was one of the nearest supporters of Stalin. Consequently, he did not spare the opposition. Yet there could be no doubt that this opposition wished for a moderation of the policy towards private enterprise, both in town and village.

Stalin's attitude was characterised by flexibility carried to the limit of cunning. In 1925, when Trotski and his supporters advocated socialisation of the village, repression of the kulak, intensification of industrial development, and other vigorous measures, many considered that their programme would involve a break with the New Policy and a return to communism. Stalin then energetically defended the New Policy, quoting Lenin, who had said that it was adequate for the realisation of socialism. At the XIV Congress of the Communist Party held at the end of 1925, he declared that those who exaggerated the importance of kulaks fanned the flame of class strife in the village, declared civil war, and prepared the way for the ruination of socialist construction. A little later, at the XV Congress of the Communist Party in 1927, when the adherents of Trotski had been finally humiliated, Stalin himself appeared as the ardent advocate of the socialisation of agriculture, and of the intensification of industrial development. At the same time he alluded apprehensively to the

growth of the kulak class, and spoke of the need for still harsher measures against it. By 1930 the right opposition had shared the same fate as the Trotskyi opposition; those belonging to it, if they were not in prison or exile, had been cowed into submission.

In that year Stalin established complete domination over the Political Bureau, and a decision was reached in favour of drastic collectivisation. The reasons which led to this decision might be summarised as follows: so long as the peasants are divided up into millions of dwarf households, they can evade the requisitioning of produce by the state and, generally speaking, it is difficult to deal with them. On the other hand, should they be concentrated in collective farms, they would become largely dependent on the state, and it would then be possible to control them effectually. In particular, it is desirable that the peasants of the corn-bearing regions should be socialised, for the existence of the proletarian dictatorship is bound up with the quantity of cereals which can be secured and marketed by the state.

Thus Stalin sought to do what Lenin had shrunk from doing, to overcome what no ruler of Russia had ever been able to overcome, the obstinacy of the mujik.

In announcing his change of policy, he used sensational language. He spoke with pride of the growth of the collective movement, and refuted the criticism that it was harmful to agriculture. Bourgeois economists had created much prejudice regarding the so-called scissors,<sup>1</sup> and this prejudice had spread to the soviet press. The October revolution gave the peasants less than they had received from the March revolution; in fact it gave them nothing at all. Should the growth of the collective movement continue undiminished, then the "scissors" would automatically disappear in the near future, and the relations between town and village would be transferred to another plane. "Our latest policy," Stalin went on, "is not a continuation of the New Policy. Our purpose

<sup>1</sup> See Chapter XXIII.

is no longer to limit the exploiting tendencies of the kulaks, but to liquidate this class altogether, replacing the kulak basis of agriculture by a kolhoz and sovhoz basis. The moment is opportune for a decisive fight with the kulaks, for breaking their opposition finally, for completely destroying them as a class. When the head is cut off, what is the use of crying about the hair? Is it possible to let the kulaks enter the collective farms? No, for they are the sworn enemies of socialism. Our latest policy is a new way. It is necessary to expose the error of those who fail to understand this. The New Economic Policy was necessary for maintaining the connection between town and village. But we cannot put up with any kind of connection. We want a connection that will guarantee the victory of socialism. If we maintained the New Economic Policy, it was because it served the purpose of socialism. But if it ceases to do this, we shall send it to the devil. Lenin said that the New Economic Policy was introduced seriously and for a long time. But he never said that it should endure for ever."

A few voices were raised in protest. Several professors advocated wiser handling of the peasantry. But at once they were accused of befriending the kulaks. Larin remarked that the physical destruction of a class numbering 6 millions was impossible. A proposal was made that the kulaks should at least be permitted to work on the collective farms as common labourers. But this suggestion met with derision; and was rejected on the ground that it was "too humanitarian."

Asked what he meant when he said that the New Economic Policy should be "sent to the devil," Stalin answered vaguely: "We shall have sent it to the devil when we have no need to tolerate even a limited amount of free trade, when we have organised an economic union between town and village by an interchange of commodities."

*The Pravda* was even more outspoken than Stalin. "The die is cast," it exclaimed. "We have abandoned

the path of capitalistic development and we have set our foot on a new historical highroad. The very soil in which the roots of capitalism were planted—the little individual peasant farms—is being thrown into a furnace where it will be transformed. The middle peasant, who only yesterday was an individual producer of agricultural goods, enters the collective farms. He fuses his means of production in collective ownership. The struggle assumes especially cruel forms, because the wholesale collectivisation of individual peasant farms means death to the kulaks. The collective farms, to which the kulak is not admitted, must declare a fight to the end and must wipe him off the face of the earth. Of course, the kulak does not want to subscribe to his own liquidation. He madly struggles for existence, and his resistance finds repercussions all over the country."

What was to happen to the kulaks and their families after they had been rendered destitute? The Bolsheviks cared as little for their fate as they had done for that of the town bourgeoisie in the worst days of the revolution. The *Krassnaya Zvezda* said: "Let them throw themselves under the first passing automobile or spend the rest of their lives in exile. They may do as they wish. All that we care for is that they should disappear as a class from our midst."

The sudden change of policy on the part of the government caused much bewilderment. Many Bolsheviks recalled Lenin's council to the party that, in leading a struggle against the kulaks, it should rely on the poor, and at the same time strive for unity with the middle peasants. The following questions were asked: "Has the government abandoned all idea of union with the middle peasants? Has it come to the conclusion that it can no longer depend upon the poor? Has it resolved to socialise both categories against their will?"

The first question Stalin answered thus: "A union with the middle peasants is unrealisable so long as the agriculture in large areas is not collectively organised."

Again the official organ, *Pravda*, was less adroit than the politician. It declared Lenin's counsel to be "old-fashioned," adding that what he had dreamt Stalin had fulfilled, that wholesale collectivisation was, in fact, liquidation of the kulaks, and that within the collective farms middle and poor peasants were becoming united. None of these assertions was true. Many millions of peasants still remained outside the collective farms. As for the statement that a union had taken place between those middle and poor peasants who had entered these farms, it was entirely groundless, for each category there maintained its separate identity.

In reality the new departure reflected a distrust which the Bolsheviks had always felt towards the middle peasants. Many of these middle peasants had but recently been poor, and their one ambition was to become kulaks. Not without reason, they were suspected of bourgeois tendencies. It was considered by not a few authorities that they would never voluntarily enter collective farms in large numbers. Hence the conclusion followed that, if agriculture were to be socialised, compulsion must be applied.

In Russia it was whispered that a new epoch had begun. Men said that Stalinism had replaced Leninism, that Stalin had liquidated Leninism as Lenin before had liquidated Marxism, that Lenin had died for Leninism. There were some who credited Lenin with having preserved a vestige of Marxism; but Stalin, they averred, had destroyed it, and now nothing was left of the wreckage of economic materialism. The vestige alluded to was the New Policy, the essence of which was rivalry between state and private enterprise. The communist republic, many declared, was at an end, and in its place had come simplified despotism expressed in the form of administrative socialism.

In devising a procedure for collectivisation the Bolshevik leaders entirely ignored the provisions of the Constitution. According to these provisions the Council

of Commissars and the Central Executive Committee should have promulgated all the decrees which the occasion called for. With few exceptions, however, the decrees issued by them merely confirmed instructions already given by commissariats or revoked laws that were in conflict with these instructions. From the moment when the Political Bureau of the Central Committee of the Communist Party reached a decision in favour of collectivisation, the Central Committee took upon itself the responsibility of giving the needful orders. On January 6th it published an instruction that by spring of 1930, 30 million hectares of land should be brought under collective cultivation, at least six millions more than was contemplated in the Five Year Plan. This instruction involved not merely rapid extension of collectivisation, but also a drastic change in the method of accomplishing it. Collectivisation was to be achieved by forcible, not by peaceful means. It was predicted that before five years had passed nearly the whole of the peasant households throughout Russia would have been collectivised.

The Central Committee considered that collective organisation should take the form of the artel which had already achieved some popularity with the peasants, and gave directions to the Commissariat of Agriculture and the Kolhoz centre to prepare model articles of association.

At the end of February this model was issued, together with a set of instructions setting forth the conditions under which the collective farms were to be controlled. No documents of comparable importance had been published since the decree formally nationalising the land was published in the early days of the revolution. It was evident that the long and bitter experience of the communist leaders had in no wise modified their views. The structure of the management and the nature of the discipline prescribed were frankly militaristic. Units of labour trained for specific purposes were to be defined as columns or brigades. Military titles were conferred upon

the commanders of these units. The chief commanders of tractor brigades, horse brigades or oxen brigades were termed brigadiers. Large numbers of town workers were undergoing training that they might fill the higher ranks of this agricultural army ; in other words, the Bolsheviks argued that as proletarians were politically more reliable than peasants, they must be fitted to become commanders of peasants.

The articles of association required that whenever peasants entered artels all their land, buildings, machinery and implements should become socialised, and that thereafter all boundaries dividing one individual holding from another should be done away with. But it was allowable for each peasant to retain his own house with a little plot attached, and to keep a few chickens, pigs, sheep and a single cow. No peasant who had destroyed his live stock was eligible for membership. Of the value of each individual's property from 2 to 10 per cent. was payable as entrance fee, a quarter to a half as a contribution to an indivisible reserve fund, the remainder constituting his share in the capital of the undertaking. In order to avoid reduction in the size of the farm, no member on leaving was to be given back the land which he had contributed as his share, but was to be compensated by an allotment elsewhere. It was thus made clear that a peasant once socialised could not desocialise himself without incurring heavy loss and inconvenience.

Further, it was stipulated that management should be in the hands of a board elected each year by the members ; and controlled by a commission of the central government. Conditions prescribed for labour were severe. No member had a right to refuse work, but must do the tasks assigned to him by the board. Good work was to be rewarded with premiums, bad work punished with fines. Equality of payment was explicitly forbidden. Labour was defined in seven categories, each of which had its own scale of wages based chiefly upon piece-work. As a means of increasing output, everything

possible was to be done to stimulate the labourers to rivalry. For the provision of food for himself and his family each member was to receive in money or kind an advance of not more than 50 per cent. of the amount due for work done by him; the remainder, after the deduction of fines, being paid over to him at the end of the year. Breaches of discipline were punishable with reprimands, suspensions from work and fines. Expulsion was prescribed for undesirable elements. Of special interest was the relationship to the farms of the state in its capacity of monopoly purchaser of products. It was laid down that delivery of these products should be ensured at prices fixed in advance, if possible in long-term contracts.

It was certainly not an exaggeration to say that the conditions described constituted a reversion to serfdom. The peasants on collective farms were to be forced to do such work as was demanded of them, to accept such pay as was given them; and if they elected to leave the farms, were only to be permitted to take a small portion of the movable property which they had contributed to the common stock, and to occupy land wherever the government chose.

The Bolsheviks regarded the artel not as socialism, but as a transitory stage to socialism. Larin gave an authoritative exposition of their attitude on the subject. Within the artel, he said, two tendencies existed. One tendency, attributable to the pooling of property, made for socialism. Another tendency, attributable to the existence of indivisible capital and of rations varying according to the amount of work performed by the recipient, made for bourgeois economics. Agriculture, continued Larin, would not be socialised until all artels were replaced by state farms, until, in other words, private ownership of capital had been wholly eliminated and all land, means of production and livestock belonged to the centralised state. When that time came, all peasants would be wage-earners in the employ of the

state, and would live in communal dwellings in large agrarian cities, the centres of wide electrified regions.

On February 1st a decree was issued by the Council of Commissars and the Central Executive Committee to the effect that in regions where complete collectivisation had taken place the laws which allowed of the renting of land and the employment of labour should cease to be operative. This decree also empowered local authorities to confiscate all the property of the kulaks and to expel them from the district. The confiscated property was to be given to the new collective farms.

The decree gave no definition of a "kulak," nor did it say to what extent collectivisation should have taken place before a region could be regarded as completely collectivised within the meaning of the new law. The purpose in view was clearly to sanction action already taken and to make provision for further action of the same kind.

While, for reasons arising from their own economic policy, the Bolsheviks were compelled to bring the land under collective cultivation, they claimed that in so doing they were following the teachings of Marx. In the nineteenth century Marx had declared that in many parts of the world small-holdings were being rapidly replaced by large farms; and that this transformation was an indispensable prelude to socialism. He also had speculated upon the possibility of the Russian communal land system serving as a basis for communism without an intermediary stage of capitalist development. But in both instances he had in mind a peaceful and gradual absorption of small by large properties, not a sudden and violent absorption such as the Bolsheviks contemplated.

In addition to claiming that revolutionary theory was on their side, the Bolshevik leaders also contended that large mechanised farms were much more profitable than small farms. In proof of this argument they cited American examples. So far in Soviet Russia, with one

or two exceptions, results of a contrary kind had been obtained; large farms working under collectivist conditions had yielded heavy losses. Much was made of one of the exceptions alluded to. In 1927 near Odessa, with the collaboration of the peasants of several villages, farming with tractors on a large scale was organised. Cultivation was carried out according to special contracts made with the peasants and for the loan of tractors and other services the management received one-third of the produce which was yielded. By 1928 the farm included twenty-six villages and covered an area of 24,000 hectares. The director of the enterprise, Mr. A. M. Markevich, wrote a book in which, speaking from experience, he declared that cost of production decreased in proportion as the region served by a station of tractors and machines was extended. This book had considerable influence upon the Bolshevik leaders.

## CHAPTER XLVII

### THE IDEALISATION OF THE PEASANTS—A CHANGE OF ATTITUDE—AGRARIAN WAR—PANIC IN THE VILLAGE—SLAUGHTER OF BEASTS—WHOLESALE EVICTIONS AND EXPROPRIATIONS—EXILING THE KULAK

THE character of the mujik had always been a subject of acute controversy amongst the intelligentsia. Revolutionaries of the old school had been attracted to him by reason of his primitive qualities, his strength and simplicity, his humour and originality. Tolstoi saw in him the image of God, and had but one wish, to become as he was. Dostoievski said that he would save the world. Sixteenth-century observers declared that so cunning was he that the astutest minds of the west were no match for him. Only a few in later days had courage to say that he was a half-savage who, when civilised, would become transformed into an unattractive little bourgeois. The Bolsheviks readily admitted him into the proletarian elect. Lenin's teaching was based upon the belief that most of the peasants had no hostility towards socialism. And for nearly fourteen years the Communist Party held to this illusion. Yet during the whole of that time the majority of the peasants steadily resisted socialisation. This resistance was usually passive, but occasionally it took the form of terrifying violence, before which the Bolsheviks shrank.

The communists, as Zinoviev once said, were a party of the town. They knew nothing of the country, where 85 per cent. of the Russian people dwelt. From a natural dislike for the village, many of them developed a resentment against the peasantry, whose individualism they could not overcome.

Yet, though continually thwarted, the Bolsheviks had no alternative than to go on with the struggle; for not to do so would have required recognition that the peasants were proof against Marxism, and that the dream of a workers' and peasants' republic was at an end. But up to the present this struggle had been conducted with certain restraints. The hope that one day the peasants would voluntarily submit to socialisation had risen and fallen, but never had it been altogether abandoned. Was it not written in the book of Lenin that, of a certainty, their conversion would come to pass? After thirteen years there was no sign of this prophecy being fulfilled. Of what avail was it, then, to show the least consideration towards the village? Voices of disillusionment began to make themselves heard. Many said that the mujik was an animal, living, along with other animals, in a smelly, dark hut, that it was necessary to cast out from him that Oblomov spirit which had been the ages-long curse of the Russian race, and that a little whipping would do him no harm. Instances had, in fact, occurred during the communist régime of peasants being publicly flogged, as in Tsarist times. When at last all restraint was thrown off, a frenzy burst forth, reminiscent of the fury with which the town bourgeois were assailed in the early days of the revolution.

Yet, although enmity was no longer held in check, efforts were still made to mask it. It was said that only the extinction of the kulaks was desired, and that the collectivisation which accompanied the campaign against them was in the interests of the remainder of the peasants. But facts spoke otherwise. They plainly told that a cycle of history had been completed, that revolution was synonymous with reaction, and soviet socialism with serfdom.

Throughout the Russian vastness, wherever a village was to be found, desperate strife prevailed. Officials were ordered to evict kulaks, to seize their property and hand it over to collective farms. They were also directed

to persuade the remaining peasants to enter these collective farms. Aided by communists, chiefly of the younger generation, they set about their tasks with ferocious energy. Expropriation was not confined to the kulaks. Other categories, mainly the middle peasants, were also the victims of it. Nor was persuasion peaceful, as had been promised.

Hordes of peasants, having been driven from their homes and deprived of all their belongings, had nowhere to go but to communal farms; and when, after tramping over the steppe for days, they reached their destination, they found that no preparation had been made for their reception, and that everything was in confusion. Many peasants who resisted socialisation were arrested, their property being expropriated and their children taken from them and placed in state farms, the Bolsheviks declaring that none but the youth were worthy of preservation. Others were left their liberty, but were deprived of implements and stock, crops and sowing seed, all of which was handed over to neighbouring collective farms.

Panic seized the countryside. Peasants sold horses for whatever price these would fetch—at the most a few rubles—destroyed implements and consumed the seed intended for sowing. The slaughtering of animals became a wholesale practice. In some instances it arose from shortage of fodder. But usually it was traceable to a determination on the part of the peasants that their beasts should not fall into the hands of the government. Decrees were hastily promulgated, declaring the slaying of cattle an offence, punishable by two years' imprisonment. But the killing continued, for the peasants said, "What does it matter? Once we are in the kolhoz the state will feed us." In several regions livestock were diminished by half. Many pedigree herds were destroyed, and in a month or so whatever good the Bolsheviks had done in improving breeds was undone.

Along with the slaughter of animals went the massacre

of men. In former years when violence had been sporadic and exaction disguised, the peasants endured both, giving expression to their resentment only by evasive action. Although these tactics were now of little avail, many still adhered to them. The passions of the rest flared up. The Bolsheviks frankly proclaimed that a second revolution was intended. No measure of dramatic effect was neglected. The impression upon the minds of the masses was that a new Tartar invasion had begun to sweep over the steppe. Large numbers of trustworthy communists, together with thousands of uproarious workers, were sent to the village; at the same time armed forces in the countryside were increased. Collectivisation became a battle-cry. Hesitating peasants were told: "Remember, the soviet is all-powerful, and can ruin you." Detachments, several hundred strong, led by mounted men, travelled from place to place, stirring up class strife, agitating for socialisation, and spreading terror wherever they went. Strange rumours circulated. It was said that the end of the world had come, that in the collective farms women would be nationalised and harnessed to ploughs. Madam Krupskaya naïvely said: "The villages have never witnessed such scenes before. Forthwith they collectivise." Markets were closed and the peasants were forbidden to sell their produce. No longer was there the least pretension to the definition of a kulak. Whomsoever an official said must be destroyed was destroyed. Formerly a peasant was allowed to operate a small mill, to make butter, to engage in handicrafts. Now any one of these occupations condemned him as a kulak. Even labourers employed by kulaks were stigmatised as under-kulaks, and called upon to suffer the same fate as their masters. Instances occurred of poverty-stricken peasants who, having worked all their lives for a pittance of a wage, were dispossessed of what little was theirs. A number of persons were similarly persecuted on the ground that they were land-owners, the sole basis for such an accusation being that

during the Tsarist régime they retained for their own use small plots of inherited estates, having generously divided up the remainder amongst the peasants.

Whole families were evicted at a moment's notice, and turned adrift. The victims were forbidden to take with them any clothes other than those in which they stood ; some were but half-dressed when they were driven from the shelter of their homes. In some regions peasants who refused to submit to the demands of the authorities were deprived of water-supply, and virtually besieged.

The spiteful spirit which had characterised the revolution from the beginning was everywhere in evidence. Evicted peasants were stripped of crosses, rings and odd ornaments, and after the official thieves had departed the huts were bare and sometimes in ruins. Certainly no landlord in the worst days of serfdom behaved more disreputably than these state bandits, these agents of the workers' and peasants' government. The delegation of despotic powers to petty officials led to ludicrous as well as atrocious consequences. In several districts an elaborate census of chickens was taken.

A kulak was not admitted to a collective farm. Bread rations were denied to him. Doctors were forbidden to attend him. Relatives were ordered to refuse him help. No one dared to speak with him ; forthwith he became an outcast. Little wonder was it that large numbers of kulaks were driven to suicide.

It will probably never be known how many were arrested and exiled in the far north and east, where they were put to forced labour. Day after day trains consisting of truckloads of prisoners passed over the railways.

In the towns, almost hourly, black motor vans, closely packed with standing peasants, rattled over the cobblestones on their way to the gaols. No laws prevailed ; the state sanctioned anarchy whenever it suited its purpose to do so. Arrests were made at the whim of

officials; in some instances for no other offence than having spoken disparagingly of the communists.

The peasants, on their part, exacted atrocious reprisals. Deprived of all possibility of peaceful livelihood, many took to the forest and turned robbers. One or two loosely-organised bands entered the field, but they were mercilessly annihilated by Bolshevik forces. Individual communists were frequently slain, sometimes in fiendish manner. Incendiary fires were started. The village was plunged into a frenzy of despair. Much vodka was drunk; and carousals were of nightly occurrence. Each day the Bolsheviks shot a number of peasants. A study of the records of executions in the Press of this period revealed that, whereas a little while before the majority of victims had belonged to the bourgeoisie, it now consisted of peasants described as kulaks. Whole families of peasants fled across the western frontiers. It became necessary to strengthen the guard in order to prevent mass migration out of Russia. Anyone detected in the act of escaping was fired upon; the casualties were numerous. As the peasants had once hunted down the landlords, so they were now hunted down themselves; having expropriated the expropriator, they, too, were in turn expropriated.

One or two characteristic narratives of this tragic epoch may be cited. The following is an extract from a peasant's letter: "We were taxed 369 rubles; in addition 343 poods of grain were demanded as a so-called extra. We had no grain and could not get any. Everything was taken from us, horses, carts, forks, spoons, beds, flour, bread. My husband was sentenced to a year's imprisonment or forced labour. We are to be thrown out of our house. We have nowhere to go. No one can help us. Everyone is uncertain about the morrow. We tremble, and ceaselessly look out of the window, dreading that they will return again any moment. In the Crimea officials are confiscating everything. Families are being ordered to abandon their houses. The empty dwellings are then

closed and sealed. Many people have been literally pulled out of their beds and put on to the street."

An old nurse worked on the land. Her husband was a railway porter. Suddenly he was told that, together with his family, he must enter a collective farm. The penalty for refusal was expulsion from the union, which meant that he would never be able to find employment again. In order to avoid giving a definite answer, he sent his wife to Moscow for a little while, informing the authorities that in her absence he could not decide what to do. The moment she returned he received a curt intimation that he must either proceed to a collective farm or leave the trade union at once.

An old man related the following: "I was ordered to give up 75 poods of grain. I had no more than 60, 15 being for sowing and the remainder for my family of six mouths. Forty-five poods is the minimum for four grown-up eaters. I was told that if I did not give up the grain they would take my only cow and horse, also one sheep, cart and plough. They scraped the grain to the last handful. And now I have nothing left but death or the kolhoz."

A village correspondent wrote: "People begin to forget the image of man. . . . There is no love, no pity. It is painful to witness such human lowness. In our locality people are sent to prison or exile for no reason, and their children are left without shelter or bread. We are back in the Middle Ages. . . . All property is being taken, houses, bread, cattle, clothing, boots—everything. Many kulaks are sent to prison without trial. The atmosphere is thick with human anger. . . . Fourteen years after the revolution the departing wagons at the stations are still packed with haggard peasants on their way to exile."

The Bolshevik newspaper, *Zvezda*, published the following account by a peasant of the visit of communist organisers to a village:

"Everyone is summoned to attend. We squeeze ourselves on benches, crouch along walls, or sit on the floor. We are so tightly packed that even a mouse can't move in between us. A little dark man makes a speech. All his words stick in the throat. He begins: 'Citizens and citizenesses, middle and poor, we have arrived—' Then, with his little white hand, which must have been polished with tooth powder, he points to himself and to two others, one a young man with a medal in his coat.

"Afterwards he continues in a casual tone: 'We have arrived to announce that the complete collectivisation of this region has been declared. All villages, large and small, must enter the commune. They must once and for ever finish with hand work, and learn how to enjoy cultivating the fields with various machines.' He tells us how the communes are organised—everything together, no private property. And here he knocks on the table with his little white hand. Then he goes on: 'We come not to ask, do you, or do you not, want to enter the commune? The power being in the hands of the proletariat, it is decreed that a commune shall be established and individual households done away with. We really came to find out who does and who does not wish to sign voluntarily. Those who will not march with the proletariat are against us, not for us. We shall know that they have a kulak's bent. Now we beg you to approach the table and sign. We ask kulaks and those who have a kulak's bent not to push forward. A place is prepared for them in Murman. Let only the poor and middle come forward. But not all together—in turn.'

"Other villages had been told the same story. . . . I sat on the floor and thought. It is a difficult question. I'm speechless. I feel indignant. What do they take me for? A piece of wood thrown on a pile, pushed into the stove and burnt.

"'Sign!' A finger points at us, and a voice says:

‘Now, if you are not a kulak or one who defends the kulak’s point of view, come and sign the book.’

“I am silent. The tongues of the other mujiks are also frozen. No one dares to breathe. All eyes are on the table. Not a single peasant moves. The little dark one has already been to other villages, and we know what we can and we can’t say.

“A woman enters and sings a song. It is about the soviet power taking care of the poor, how it lets them into the theatre and gives them shawls, books and bread.

“Before that we had all been so silent. . . . Now it was as if someone had pricked a needle under the tail of the mare! Then she sings some cheeky verses, telling that we are all to be whipped and forced into the commune, there to gobble *shchi* (cabbage soup).

“We all shut our eyes and say to ourselves that we will not go into the commune. I decide that when it comes to my turn to sign I will turn my back and say two little words: ‘I abstain.’

“At once he puts the question direct to me: ‘Now, you sign first?’

“‘I abstain.’

“‘For what reason?’

“‘I abstain.’

“‘For what reason do you abstain? It means that you are not for us, but against us. Is it so or not?’

“‘Not this, not that. I abstain.’

“The little dark one sticks to me.

“‘I abstain,’ I repeat. A little word is like a glass ball: you scratch it with your nail; it rolls away and there is no scratch.

“Afterwards he puts the question to another, then to a third, and so on up to a tenth, and each one gets up and defends himself with the little words, ‘I abstain.’

“‘We expected this,’ he says angrily. ‘The kulaks have shown their faces to us clearly. But they are as necessary to us as fire-brigade ladders are to cows. Their place is not here amongst working peasants, but in

Soon the hostility of the village soviets to the collectivisation of agriculture became a problem. Whatever political or administrative activity was allowed the peasants was centred in these organs. From time to time a movement had made itself heard which demanded soviets without communists and elections by secret ballot. When opposition was shown to collectivisation, some Bolsheviks were in favour of seizing the opportunity to dissolve the soviets altogether, and to transfer their duties to the collective farms. But others insisted that a means whereby both organisations could enjoy a harmonious co-existence must be found. Kaledin even contended that abolition of the soviets would be tantamount to the suicide of the régime. The dictatorship of the proletariat, he said, had been fulfilled in the form of the soviet, and the village soviet was not merely a functional, but a foundational body. As a compromise, the familiar expedient of a decree was resorted to. For the historian the interest of this decree lay in the admission which it made that the majority of the soviets were unfriendly to socialism. It then proceeded to ordain that whenever a soviet was obstructive it should be dissolved and re-elected. At least 1,900 of such dissolutions took place.

Disquieting symptoms brought sobriety to the minds of the more responsible leaders. Fear was felt that the chaos of the countryside might cause a shortage of grain. Destruction of cattle had already accentuated the meat shortage. Scarcity of other commodities was also increasing. When the private traders went into hiding they took with them all supplies. As usual, the co-operative stores proved incapable of replacing them, and the whole machinery of distribution again broke down. Familiar discomforts and deprivations grew suddenly worse. The long queues lengthened, and whilst many suffered real hunger, others complained of it who a year or two previously would have been only too content with the rations they now received. People said openly that

War Communism was returning. But what disturbed the Bolsheviks more than anything else was the discovery of discontent in the Red Army. This discontent was revealed in the intercepted letters of soldiers to their relatives in the village. Immediately the memory of the Kronstadt rebellion came back to Stalin and other leaders. This tragic episode, largely a protest against the treatment of the peasantry, had been a decisive influence upon Lenin at the moment when he gave up communism for the New Policy.

Although the leaders saw that the immediate consequences of collectivisation were disastrous, they were still so impressed with its having taken place on a great scale as to be blind to the real motives which had induced the peasants to make the change. One of these leaders, Piatakov, was sent on an errand of inquiry to the village, only to return to say that it was a complete enigma to him. When he asked the peasants what they thought of collectivisation, he was given the characteristic answer: "The government wants it, and who can go against the government? But nothing will come of it." The peasants have always deprived power of its sting by not resisting it. The numbers who apathetically submitted to collectivisation must have been very large, for the overwhelming majority were weary of the struggle for bread, of the repression of individual effort, of the perpetual uncertainty of life under the soviet régime. Yet they were under no illusion as to what awaited them. Everywhere it was said that serfdom had returned again, with the state as pomeschik, but that, no matter, existence could not be worse than it was.

As already mentioned, many peasants were induced to abandon their homes, only to find that no collective farms were ready for their reception. Others were drafted to hastily improvised farms where everything was in confusion. Not a few considered it less precarious to leave the farms than to remain in them. Often those who returned to their villages discovered that their houses

had been occupied in their absence and that they had no land, no implements, no stock; thus complete destitution faced them.

The exodus from the farms became considerable, and it was feared that it would assume the proportion of mass migration. How to arrest the flight from collectivism and to re-settle those who had fled became a problem of extreme urgency. Columns of deserters, whole families of ragged refugees, tramped over the steppe, vaguely hoping that some day and somewhere they would have a possibility of starting life again. Little wonder that elation gave way to apprehension in the minds of the soviet rulers. The Central Committee of the Communist Party shifted the blame to local officials. It said that they had forced the pace of collectivisation too fast, and confessed that in many places compulsion, not persuasion, had been employed, that minor officials had treated the population in "a rough criminal fashion"; that they had arrested and seized the property, not merely of the kulaks, but also of the middle and poor peasants.

The Supreme Economic Council supported this interpretation of the situation. It, too, reproved the lower officials, whose insufficient training, it said, had led to an incredible muddle in the countryside. It was said that practice had outpaced Marxist theory, and that new theories must be devised to fit the moment. But the soviet Press explained that tactics, not policy, had been changed, and declared that after the autumn the ruthless extermination of surviving kulaks would be proceeded with. Meanwhile, these surviving kulaks would be compelled to cultivate areas defined for them. Thus while the Bolsheviks again fell back upon individualist farmers to extricate them from their difficulties, again they proclaimed their faith in force.

Kaledin, who frequently expounded rural policy, reiterated the government's intention to resume collectivisation later, despite the distress that it was causing. He confessed that individuals had been the victims of

frightful suffering, and that a revolution such as the peasant had never known before was raging. The extermination of the kulak, he said, was irrevocable. But he advanced a new reason in justification of it; predicting a war in the near future, he declared that the proletarian state could not have enemies in its rear.

At first the tactical change led to no improvement. On the contrary, because it lessened fear of official violence, it encouraged more peasants to flee from collectivised farms. Declaring that such a consequence was only to be anticipated, Stalin urged that it was no occasion for despair. The deserting peasants, he said, were misguided, for they would find themselves deprived of facilities for obtaining livestock, machinery and implements, which would be reserved exclusively for the collective farms. Thus was disclosed the deliberate intention of the government to pauperise all individual peasant farmers. With the sly sophistry of which he is a master, Stalin went on to say that collectivisation would continue to be effected by voluntary means; but that each region had been assigned a date by which it must complete the process; the latest date was 1933. Since the non-fulfilment of orders was punishable by death, it was not difficult to imagine to what extent officials would adhere to voluntary principles when they were required to collectivise millions of reluctant peasants within a stipulated period.

The more official violence diminished, the more the exodus from the collective farms increased. Between April and June of 1930 the number of peasants in them declined from sixty to thirty millions—that is, by half. Usually those who abandoned the farms gave as their reasons for doing so that the property which they contributed to the common pool had been misused or that others had failed to perform their rightful share of work. Not infrequently the following remark was heard: How is it possible for strangers to live together and share their possessions when brother and brother cannot do so?

It was significant that the exodus from collective farms took place only in those areas which did not produce cereals. Many peasants in the grain-growing regions were anxious to return to individual farming, but they were prevented from doing so by the local authorities, as a consequence of instructions received from Moscow, where a decision had been reached that a final solution of the problem of grain supplies was imperative.

At the XVI Congress of the Communist Party, held in July 1930, Mr. Yakovlev, the Commissar of Agriculture, stated that even thus early in the chief grain regions 48 per cent. of the households, 49 per cent. of the horses and 43 per cent. of the cows were collectivised; that in the less important grain regions 25 per cent. of the households were collectivised; and that in regions growing crops other than cereals only 8·6 per cent. of the households were collectivised.

As evidence of the superiority of agriculture under a socialist régime Mr. Yakovlev mentioned that in a single year the area under cereals in Soviet Russia had increased more than the area under cereals had increased in the United States during a whole decade. Explaining how this achievement had been rendered possible with only one-tenth of the number of tractors in use in the United States, he remarked that on a small farm the effectiveness of a tractor was only a little greater than that of a horse, and that in the United States the small farms were more numerous than in Soviet Russia. If Mr. Yakovlev had measured progress by comparing the harvest yields of the two countries he would have been compelled to reach a different conclusion. In 1930 from a cultivated area only 25 million hectares larger than that of Soviet Russia the United States produced double the quantity of cereals raised from the whole cultivated area of Soviet Russia.

Mr. Yakovlev further remarked that whereas in the United States large farms had absorbed small farms, in Soviet Russia large collective farms were uniting small farms. But at the moment he entirely ignored the cir-

cumstance that these collective farms were annihilating the kulak. In soviet conditions, it is true, the kulak was regarded as rich, but actually he was only the least poor in a community in which all were very poor. When, therefore, the collective farms destroyed the kulak they destroyed the small farmer in the literal sense of the term. Whether, as Mr. Yakovlev asserted, they united those farmers who herded into them was doubtful, for many were forcibly compelled to submit to collectivisation and not a few destroyed their movable property before abandoning their individual holdings. The extent of this destruction was demonstrated by figures which Mr. Yakovlev himself presented to the XVI Congress of the Communist Party. During 1929 the proportions by which livestock of various kinds decreased were as follows: horned cattle, one-eighth; cows, one-eighth; sheep, one-third; and pigs, two-fifths.

The fixed capital of collective farms created prior to 1929 had consisted chiefly of land and equipment confiscated from the large landowners. After 1929 the kulaks were dispossessed as the large landowners before them had been dispossessed, and in 1930 it was estimated that the value of the property which had been taken from them and handed over to collective farms was not less than 400 million rubles. At that time it was also estimated that of the total fixed capital of the farms 40 per cent. was derived from the state, 15 per cent. from the kulaks, and the remainder from the members themselves.

In 1928 the subsidies given to state farms (sovhoz) amounted to 65 million rubles, in 1930 to 856 million rubles. In 1928 the subsidies given to collective farms (kolhoz) amounted to 76 million rubles, in 1930 to 473 million rubles. As a result of enforced collectivisation agriculture, in addition to industry, was now a heavy burden upon the national resources.

Between June and October of 1930 the number of peasant households collectivised decreased to a further

small extent. In the last-mentioned month the situation was as follows: Of the 25½ million households, containing 129,150,000 individuals, the totals existing in 1928, 22 per cent., or 5,600,000 households, containing 28,000,000 individuals, had been collectivised. These figures showed that 100,000,000 peasants, a total three times in excess of that collectivised, were still dependent upon individual farming for their livelihood. Hitherto the burden of supporting socialized industry had fallen upon the peasantry as a whole; henceforth this burden would have to be borne by the individualized section only, from which in addition a sacrifice would be required for the maintenance of the collectivized section of the peasantry.

In 1930 some progress in agriculture was made. Between 1928-29 and 1929-30 the total area under cultivation increased from 118·0 million hectares to 127·8 million hectares—11 million hectares in excess of the pre-war total; and the area under grain cultivation increased from 95·4 million hectares to 102·0 million hectares, a figure equivalent to the pre-war total. The new harvest in 1930 was abundant. It yielded 5,400 million poods, or about 370 million poods more than was yielded by the harvest of 1913. For the first time during the Bolshevik régime the amount of grain collected from the peasantry exceeded that marketed in pre-war days.<sup>1</sup> Out of 1,400 million poods secured during 1930-31 only about 300 million poods were exported; thus the quantity available for home consumption was 500 million poods in excess of that which had been available for the same purpose prior to 1914.

In spite of some improvement in the supply of cereals, other essential commodities were not forthcoming; and the measures taken to suppress private trade further disorganized distribution and brought about a state of

<sup>1</sup> An additional quarter (Oct.-Dec.) had been added to the economic year 1928-29. During this quarter several hundred million poods of grain were collected.

general chaos. Privation in the towns was more severe than it had been for many years. The dismal aspect of the streets was reminiscent of the days of War Communism. All the private shops were closed; the lower halves of the windows of state and co-operative shops were painted white. Markets continued to be open. Here prices were three times in excess of those in socialist establishments; but it should be added that at frequent intervals because of lack of goods these establishments were compelled to close their doors. Peasants offered produce for sale in the streets. Methods of trading became informal. Queues assembled outside the shops as early as three o'clock in the morning. Horseflesh found a ready sale.

The following market prices, as distinct from the fixed prices for rationed commodities, prevailed: bread, 1 ruble 50 kopecks per lb.; butter 10s. to £1 per lb.; eggs 10 for 10s. to £1; Russian gruyere cheese £1 4s. per lb.; coffee £1 10s. per lb.; tea £3 per lb.; 1 kilo of meat £1; 1 lb. of horseflesh 60 kopecks; 1 chicken £1 10s.; 1 kilo of tinned salmon £1 to £1 10s.; 1 kilo of herring 12s. to £1; 1 cake of soap 16s. to £1; women's dress £1; 1 pair of women's shoes £1 5s.

Only approved workers, manual and non-manual, were entitled to rations. Frequently the kinds and quantities of the commodities rationed varied. On April 30, 1930, each manual worker received 800 grams of bread daily, while the non-manual workers were given half as much. In addition both categories were entitled to the following monthly rations<sup>1</sup>:

	Manual Worker.	Non-manual Worker
Meat . . . . .	4400 grams	2200 grams
Sugar . . . . .	1500 "	1200 "
Tea . . . . .	25 "	25 "
Butter . . . . .	300 "	300 "
Herring . . . . .	1200 "	800 "

<sup>1</sup> *The Economic Life of Soviet Russia*, by Calvin B. Hoover, Ph.D., p. 253. Macmillan & Co.

These rations were not sufficient to support the workers, who supplemented them by making purchases in the open market to the extent of one-seventh of their wages. Owing to the fact that within each category, manual and non-manual, all workers, regardless of differences in wages, were entitled to the usual rations, a tendency towards equalization of reward was observable. But this tendency had limiting factors. One of these limiting factors was the varying amounts spent in the open market. Another was the existence of a favoured class within the proletariat. This favoured class consisted of more than a million "shock-workers" (half of whom belonged to the Communist Party), that is, of men who had undertaken to perform intensive work. Each one of them was entitled to receive supplementary rations, and to be served at a state shop without taking his place in a waiting queue.

Those belonging to the pariah class, ex-bourgeois and kulaks, were compelled to buy whatever they needed at the fantastic prices ruling in the open market. Special state shops existed for foreigners where, in exchange for stable currencies, they could satisfy their needs. These shops stocked many commodities which were not available for soviet citizens.

## CHAPTER XLIX

SECOND YEAR OF THE FIVE-YEAR PLAN—LARGE INCREASE IN INDUSTRIAL PRODUCTION—PERPETUATION OF THE GOODS FAMINE—CARELESS CONSTRUCTION WORK—INCREASE OF PRICE INDEX—IGNORANCE OF COST OF PRODUCTION—LOWERING OF QUALITY—CONTINUED DEFICIT ON STATE INDUSTRY (1929–30).

At the end of 1929–30 it was announced that so much progress had already been made that complete accomplishment of the objects set forth in the Five-Year Plan would be possible within four years. What was the true extent of this progress?

The Plan projected the fulfilment of one of its chief aims by 1929–30. In that year the shortage of goods was to disappear, and from thenceforth supply was to exceed demand.

An increase of 21 per cent. in industrial production as a whole during 1929–30 was anticipated. The actual increase attained was 25 per cent. But this increase occurred mainly in heavy industry. Light industry, which supplied articles of common consumption, achieved only four-fifths of the production planned. This failure accentuated the existing famine in goods, which was mainly attributable to financial causes. As there had been a need to economise in foreign currency with which imports were largely paid for, the supply of cotton ran short in summer. As a consequence a number of mills were compelled to close down for a while. The shortage of commodities was aggravated by a sharp fall in the import of articles of common consumption; between 1913 and 1929–30 the proportion of such articles in the whole

volume of foreign imports diminished from 28.5 per cent. to only 8.9 per cent.

The following official table illustrates the growth of production in several leading industries:—

	1913.	1930.
Coal . . . .	28.9 million tons.	49.2 million tons.
Oil . . . .	9.3 " " "	18.9 " " "
Pig Iron . . . .	4.2 " " "	5.3 " " "
Cotton Textiles . . . .	1625 " metres.	2454 " metres.

In 1930 production of coal was one-eleventh and of pig iron one-eighth of the production of these commodities in the United States during 1929.

In 1929-30 the amount of goods transported by railway was 235 million tons compared with 176.9 million tons in the preceding year, and 132.4 million tons in 1913. Yet, although the railways dealt with much more traffic than in pre-war times, they failed to meet the demands made upon them. Enormous quantities of commodities, including two million tons of grain, awaited conveyance to consumers. Again and again official reports said that locomotives and rolling stock were in bad repair, that the supply of both as well as of rails was also insufficient, that bridges were in bad repair, and that the condition of the stations was filthy.

The provisions of the Plan for 1929-30 in regard to foreign trade were not fulfilled. An increase in exports over the previous year of 45 per cent. was contemplated; actually not more than 24 per cent. was achieved. A favourable balance of between 100 and 150 million rubles was expected; but actually the balance was adverse, amounting in current prices, according to official calculation, to 66 million rubles. Two causes were responsible for the failure to fulfil the programme laid down. First, in order to hasten the realisation of the Five-Year Plan, imports of machinery, equipment, iron and steel were greatly

increased. Secondly, exports were badly affected by the world economic crisis and would have been considerably smaller had not large quantities of grain, timber, oil and furs been sold at extremely low prices. Between 1928-29 and 1929-30 exports of cereals and commercial crops increased several times in volume, but hardly doubled in value; whilst exports of timber increased in volume from 4.8 million tons to 7.3 million tons, and in value only from 138.6 million rubles to 180.2 million rubles. During the same period, while the export of food and other products increased by 80 thousand tons, their value actually fell by 8 million rubles. For the first time in the history of Russia, the value of industrial commodities exported exceeded that of agricultural commodities exported. The need of the population for these industrial commodities was acute.

According to the Five-Year Plan, 3,975 million rubles should have been invested in industry during 1930. Actually not more than 62 per cent. of this sum was invested. Whereas the Plan anticipated a reduction of 14 per cent. in the cost of constructing new works, not more than 5 per cent. was effected.

A report written by Mr. A. Rosenholz and published in 1930 under the title: "Industry according to the data of the Central Control Commission of the Communist Party," showed that numerous undertakings provided for in the Plan were carried out in a careless and negligent manner. For example, in coal areas many shafts were sunk without adequate preparation or prospecting of the sites; mines and constructional works neared completion without plans having been made use of; in some instances where mining had been proceeding for four or five years, plans were not available or exploitation could not commence because surface structures were in process of erection. In the metallurgical industry construction continued whilst plans were still being drawn up. When these plans were produced they were vague and unfinished; and often

work was accomplished before they had been approved. Adequate time schedules and detailed specifications were not prepared. Material was still being ordered after construction had begun. Frequently there was an excess of non-essential and a shortage of essential parts; and delays and stoppages were of common occurrence. The Five-Year Plan had not determined the relative importance of various works and in the South and the Ural regions "technical and economic co-ordination" was wholly lacking.

In the cotton industry there had also been a complete disregard of co-ordination. Capital investment had been based upon local interests or upon the demands of individual trusts. In the group of undertakings, *Pestrotkan*, reconstruction had been continuing for three years, at the end of which no plans had been produced. A sum of eight million rubles had been expended, and according to some estimates this would be increased to as much as twenty-six million rubles before the work was completed. The Plan took no account of the need for a redistribution of the cotton industry as a whole. This redistribution was necessitated by the fact that many mills having consumed all the wood procurable in their vicinity thenceforth became dependent upon coal, which had to be brought from a considerable distance.

A reduction of 11 per cent. in the cost of production throughout industry had been planned for 1930; but a lowering only to the extent of 7 per cent. was effected, and the industrial price index increased from 187.5 in the previous year to 195.3 in 1930.

*Economic Life* remarked that profits were made by selling goods at high prices without lowering cost of production. "In reality," continued the journal, "no one knows what is the real cost of production." Views expressed by representatives of the Bureau of Costs of Production, attached to the Supreme Economic Council, were then set forth. These representatives declared that the statistics of cost of production for the past year

were merely of "a more or less character," and that consequently it was only possible to speak of a "more or less" lowering of this cost. There was an insufficiency of competent calculators, of persons acquainted with even the elements of cost of production, and no systematic work in connection with the problem had so far been undertaken.

Such lowering of cost as had been achieved was at the expense of quality, and was therefore illusory. No one denied that soviet goods were wretched in quality; the evidence pointing to this wretchedness was abundant and conclusive. State shops offered for sale holed teapots, footwear which lasted only one-third of the period for which pre-war footwear lasted, and which not infrequently consisted of pairs of odd sizes, and textiles that easily ripped. It was noticed that deterioration of quality was chiefly evident as regards the products of the key industries, but that the products of heavy industries also had not escaped it.

At an All-Union Conference held in October 1930 it was disclosed that half the goods marketed at full price were defective, that in a number of cotton mills the proportion of defective goods was as high as 75 per cent., and that in all instances defective goods were due to bad workmanship, not bad raw material.

As a result of an investigation conducted by the Conference the conclusion was reached that "although the proportion of 'throw-outs' established by the control figures does not exceed 4 to 7 per cent., the actual percentage is more than 25, frequently reaching 50. This applies to almost every branch of industry under consideration." Such a conclusion confirmed that of numerous official bodies in previous years.

Both soviet leaders and newspapers commented upon the poor quality of state goods. At the All-Union Conference, to which allusion has already been made, Mr. Kuibyshev, President of the State Planning Department, remarked: "A great deterioration has taken place

in the quality of goods produced for general consumption. As a consequence the losses from which the country suffers runs into hundreds, even thousands of millions of rubles."

In issue No. 9 of *Planovoe Khozyaistvo* the following passage occurred: "A further decline in the quality of manufactured goods was noticeable in 1929-30. This decline was especially marked in relation to the products of the key industries. By causal sequence the lowering of the quality of primary products leads to lowering of the quality of output generally and disorganisation of production as a whole. . . . Decline in the quality of manufactured goods reduces their period of service, which means a decrease in real wages and increase in the goods famine." *Za Industrializatsiu* of January 8th declared that the inferior quality of production had become "a terrible drag on our economic progress." It was established that the lowering of quality was often consequent upon orders from higher authorities to the effect that costs of production should be decreased. Thus, boots were cheapened by inferior workmanship, textiles by weakening dyes and by reducing their strength. Another device resorted to for cheapening costs was the giving of short weight, to the extent, in some instances, of four-fifths of the standard. While decreasing the cost, deterioration of quality facilitated the raising of the volume of production.

In 1913 production of large-scale industry was valued at 2,399 rubles, and of agriculture at 7,292 million rubles. In 1929-30 the value of large-scale industrial production was estimated at 5,586 rubles, that of agriculture at 7,520 million rubles. In all these instances the prices have been calculated in pre-war rubles. In 1926-27 both agriculture and industry attained pre-war level of production, but since then, while industry more than doubled its output, agricultural output progressed slowly.

Taking 100 as the basis for 1913, the limit of produc-

tion as achieved in 1929-30 may be illustrated by the following indices: industry 232.7; agriculture 103.1; oil 190.3; coal 164.4; pig iron 119; and cotton 115.6.

The foregoing data took no account of the decline in quality. The soviet estimate of the allowance necessary for this decline had not been published. According to the Memorandum No. 3 of the Bureau of Research of the Russian Department of Birmingham University (Editor: Professor S. Konovalov) "by 1929-30 the quality of goods was no less than 30 per cent. inferior to the pre-war standard."

The financial plan for the year was not realised. Much larger credits than those which had been allowed for were granted to state and co-operative enterprises. Hence a considerable and unjustified expansion of currency took place. The *Economic Survey* published by the State Bank admitted that new and complex problems had arisen which would have to be dealt with under conditions quite unlike those which prevailed when the financial plan for 1929-30 was drawn up. It attributed the crisis to the circumstance that repression of private trade in the towns and collectivisation in the country had been forced beyond the limits set in the Plan; to the absorption by the collective farms of larger funds than had originally been provided for; and to the granting of a series of rebates to these farms.

An idea of the economic condition of soviet state enterprise may be gained from statistics relating to the fulfilment of the budget estimates for 1929-30. Revenue from this enterprise amounted to 1,882 million rubles, expenditure to 4,211 million rubles. It was said that most of this expenditure represented capital investments. How far such an assertion is true it is impossible to ascertain. But it is plainly evident that expenditure upon national enterprise, no matter for what purpose, was rendered possible as a consequence, first, of revenue from state enterprise and from taxation largely paid by state enterprise, and secondly, of loans which

were obtained by compulsion. The contribution by state enterprises to the budget in the forms mentioned was one of the chief causes of the exorbitant prices which the community was called upon to pay for all commodities of common consumption. Separate items in this revenue were as follows:—industry, 777 million rubles (£77,700,000); trade, 362 million rubles (£36,200,000); forests, 463 million rubles (£46,300,000); and banking, 115 million rubles (£11,500,000). It will be observed that forests brought in revenue equal to half that derived from the whole of state industry. On the expenditure side the most noticeable item was 762 million rubles for agriculture. The circumstance that this amount was twice as much as the sum devoted to the same purpose in the previous year was explained by the needs of collectivisation.

The balancing of the budget was secured by loans which, as has been said, were of a compulsory character, and which yielded about 1,300 million rubles.

During the year national income, that is, the value of all production, increased by nearly 20 per cent.—many more times than in pre-war days. Of this income 32·1 per cent. was devoted to accumulation, a proportion three times as high as that capitalised in Russia of pre-revolutionary times. The total sum of accumulation during the year amounted to 9,919 million chervonets rubles divided as follows:—fixed capital 8,674 millions; circulating capital 1,245 millions. This accumulation was far greater than any hitherto attained under the capitalist system. It was rendered possible because the state had complete control of all economic processes; and was enforced by means of high prices, taxation in various forms and compulsory subscriptions to loans.

The larger the national income became as a result of the labours of the people, the larger was the proportion of it taken from them and converted into capital. Thus, whilst the state acquired more and more property, the population did not become richer and richer.

## CHAPTER L

### DRASTIC CHANGES IN THE CREDIT SYSTEM—ABOLITION OF BILLS—PLANNED CREDIT AGAINST DELIVERY OF GOODS—LARGE EXPANSION OF CURRENCY—POWERS OF STATE BANK INCREASED—SAFEGUARDS AGAINST COLLAPSE—RUBLES OF DIFFERENT VALUES (1930–31).

IN 1930 and 1931 drastic changes were made in the credit system. Preparations for these changes had been in progress since 1928, the year preceding the introduction of the Five-Year Plan. For an appreciation of their importance knowledge of the events which led up to them is essential.

In Soviet Russia credit was not regulated by a lowering or raising of the discount rate. An attempt was made to subject it to management. The amount of credit available for each enterprise was determined in accordance with the general plan for the whole of national economy. The banks communicated to the authorities responsible for the plan the extent of the credit which they were prepared to give in every instance, but the final decision on the subject rested with the planning authorities, not with the banks. The banks were expected to scrutinise the expenditure of loans and to report to the superior authorities any cases of the misuse of funds.

The State Bank contained special departments representative of leading industries and enterprises. Through these departments credit requirements were made known and examined. There were occasions, although they were rare, when, with a view to stimulating production, the bank forced upon their clients credits larger than

those applied for. Frequently clients were dissatisfied with the amounts allotted to them and, by appealing to the planning authorities, obtained considerable increases. The Government undertook to indemnify the bank for any losses that might be incurred or to put clients in funds to enable them to meet their obligations. Under these circumstances the bank was not required to exercise overmuch concern for the solvency of its clients.

As time went on and the New Policy was replaced by more extreme measures, the status of the bank underwent change. In the early years of the New Policy its chairman was nominated by the Commissariat of Finance, and it was closely identified with this department. Many communists accused it of being too sparing with credit, and said that in this regard it was no better than a capitalist institution. Yet, judged by normal banking practice, even in those days the State Bank was generous with credits to the limits of imprudence. That it was able to make even a feeble stand for the principles of sound finance under a government which openly repudiated these principles was surprising. Still more surprising was its maintenance of even a semblance of independence under a system which aimed at subjecting every sphere of activity to a highly-centralised authority.

After a while the bank became separated from the Commissariat of Finance. Thenceforth it was unable to resist any demands made upon it by the communist hierarchy. Usually these demands were dictated not by financial wisdom but by a fanatical desire to fulfil grandiose plans of industrial reconstruction. Not infrequently loans were even granted without dates for their repayment having been fixed.

The effect of this reckless policy upon currency was disastrous. The law stipulated that 75 per cent. of the chervontsy or bank-notes issued at any period should be covered by easily-realisable commodities, short-term bills and other short-term securities, and that the volume of treasury notes in circulation at any time should not

be more than three-quarters of the volume of chervontsy in circulation. These safeguards were devised in order to avert inflation; but they entirely failed to achieve their object.

In 1923, when the currency had reached extreme depths of demoralisation, the Government set out to find the equivalent of the gold ruble of Tsarist times. It was believed that this equivalent had been found in the chervonets ruble, nearly ten of which could be exchanged for the pound sterling. But after a while the purchasing power of the chervonets fell. An illusory equivalent to the gold ruble was maintained by the device of an official rate of exchange; but in 1930 between 60 and 120 chervonets rubles were being privately offered for the pound sterling.

The attempt to manage the currency by the use of bills as firm cover for bank-notes and by imposing a limitation to the issue of treasury notes had failed. Likewise the attempt to manage credit chiefly through the instrumentality of this currency had failed. In 1930 the Government considered that the time was opportune for new measures of control. By then, most private enterprises had been suppressed in the towns, whilst in the country a large proportion of the peasant holdings had been collectivised. The conditions, therefore, were regarded as favourable for the introduction of a socialist credit system. The principles underlying such a system were familiar. They had been partially applied in the days of War Communism; it was argued that failure then was unavoidable owing to the general chaos which prevailed, but that now there was a fair chance of success. The ultimate aim was to transform the State Bank into a central accounting institution for the whole Union, to abolish money as a medium of exchange, and thereafter to make use of it only as a unit of account—in other words, to substitute book entries for cash.

Early in January of 1930 a number of banks were

incorporated with the State Bank, and at the same time all nationalised and co-operative enterprises were forbidden to give credit to each other, except against actual payments in cash made through the medium of the State Bank.

Prior to this innovation the method of granting bank credit in Soviet Russia had been the same as that employed in capitalist countries. State industries selling goods to state and private commercial organisations drew bills against them, and discounted these bills at the State Bank. Thus, by making loans to industry, the State Bank financed the marketing of goods.

The new reform dispensed altogether with the use of bills within the country. The considerations upon which it was based were briefly as follows:—the output of each factory is fixed. Cost of production and selling price are also fixed. Failure in any one of these respects to conform to the prescribed limits may involve those persons responsible for it in a criminal charge. Because output, costs and prices are fixed, the planning authorities can determine how much cash and therefore how much credit each combine or trust needs for the purchase of raw materials and equipment and for the payment of wages. Each combine or trust, in turn, can distribute the credit allotted to it amongst its component parts. The basis of its account at the State Bank is this credit, which is drawn upon for payments to other enterprises at the moment of the actual delivery of goods or rendering of services and restored by payments received in like manner. Concern for the solvency of clients is wholly unnecessary. The bank is bound to give whatever credit is determined by the Plan, and the recipients of this credit are bound to make such use of it as the Plan dictates.

It was claimed that, whereas under the capitalist system credit was often dependent upon the personal relations existing between banker and client, or upon expectation of profits, in Soviet Russia credit would be granted solely

on goods produced. Thus it was considered that the new system would act as a restraint upon the expansion of currency and as a check upon inflation. Success depended upon the faultless fulfilment of planning in every essential detail. Had this faultless fulfilment been possible, then credit would have been precisely regulated by goods turnover, and money, as a medium of exchange, would have ultimately disappeared. But in practice the new system gave disastrous results. It was officially declared that as regards industry alone the amount which the State Bank had credited to the accounts of suppliers of goods in excess of that which could be legitimately debited to the accounts of the receivers of these goods was about 1,000 million rubles, nearly all of which would be lost.

It transpired that the State Bank had automatically granted credits on receipt of invoices, and had made no effort to ascertain whether or not these invoices were correct. Wholesale falsification had been practised. Many enterprises supplied goods in smaller quantity and of poorer quality than the invoices stipulated for and described; some enterprises, while actually delivering goods too late for acceptance, tendered invoices for them to the bank, receiving credit in return. Thus purchasers were at the mercy of suppliers, who had no incentive to deliver goods on time or to reduce costs of production and improve the quality of their goods.

In these circumstances it was not surprising that a large increase should have taken place in the amount of credits granted by the State Bank to various forms of state and co-operative enterprise. On February 1st, 1930, this amount stood at 4,817 million rubles. By February 1st of the following year it had increased to 7,340 million rubles. In the same period the volume of currency in circulation also largely expanded. Between February 1st, 1930, and February 1st, 1931, the bank-notes in circulation increased from 1,466.1 million rubles to 2,080.6 million rubles, the treasury notes in circula-

tion from 976.1 million rubles to 1,929.4 million rubles. For that part of the cover for bank-notes which had previously consisted of bills was substituted "collateral securities for short-term assets." But, as has been shown, a considerable proportion of the documents of which these securities consisted had been falsified. This fact, however, did not restrain soviet journals from claiming that the system was superior to that existing in capitalist countries. For example, *Planovoe Khozyaistvo* declared that, whereas the cover for notes issued by capitalist banks consisted of speculative bills circulating on the market and discounted at market rates, that for notes issued by the State Bank of Soviet Russia consisted of a national plan properly drawn up and completely carried out. But in certain important respects the Plan had not been fulfilled; hence much of the cover for the issue of bank-notes was of doubtful value. With the suppression of the greater part of private enterprise had disappeared whatever influence demand and supply could exercise upon costs and prices under the peculiar conditions created by the New Policy. Thereafter the sole regulating factor in these and all other matters relating to the economic life of the country was the Plan.

"Under such conditions," wrote Mr. E. M. Shenkman, formerly Learned Secretary of the Moscow Institute of Economic Affairs, "it becomes of supreme importance for the currency circulation of the country that the Plan should be carried out strictly according to the schedule. If the limits fixed by the Plan in regard to the cost of production are exceeded by manufacturing industry and agriculture, the need for money tends to increase, and if such an increase is accompanied by a fall in the quantity and the quality of the goods produced, the income of the industry falls also, ultimately involving it in substantial losses and giving the whole circulation an inflationary character. A typical example is presented by the soviet timber milling industry. During 1930 it had to produce goods to the value of 870 million rubles

and to decrease the costs of production by 12 per cent. In practice it increased the cost of production by 2 per cent., spending 120 million rubles more than it was allocated by the Plan. Apart from that the industry, because of transport difficulties, failure to conform with technical specifications, and the limited absorbing capacity of foreign markets, was unable to market a large part of its production. Consequently, the amount of money received by the timber industry from the State Bank and spent, to a very large extent, on salaries and wages, increased the purchasing power of the timber producing population, while other industries, the realisation of the Plan for which depended largely upon the delivery by the timber industry of the necessary building materials or of foreign currency, could not produce the necessary goods, and the increased purchasing power of the population in timber producing regions could not be satisfied. A rise in prices followed."

In January and March decrees were issued, the intention of which was to remedy the defects of the new credit system. These decrees admitted that the State Bank had been negligent in exercising control and that as a consequence chaos had resulted. They exhorted it to become a genuine clearing house for the whole of soviet economics, and placed upon it the responsibility of supervising all processes of production and distribution, and of ensuring through the instrumentality of credit that plans were completely realised.

Furthermore, the new decrees directed that the bank should only grant credit to sellers on receipt of documents from the purchasers, stating that goods had actually been accepted, that it should restrict or withhold credit altogether in cases where the Plan was not fulfilled, that in extreme cases it should seize and sell the goods of defaulting undertakings, and that if overhead, transport and other charges were greatly exceeded it should refuse payment of the invoice. The claim was made that the new decrees gave the bank drastic powers

over cost of production. If, it was said, a factory was ordered to reduce cost of production by 10 per cent., the bank would be entitled to reduce in the same proportion its allowance of credit whilst insisting that there should be no falling off in the quantity of goods produced.

In requiring the State Bank to control the economic order and in particular the achievement of planning, the Government imposed upon it a task which hitherto all the Commissariats in the Union had been unable to discharge. There was therefore little prospect that the new powers conferred upon it would lead to the remedying of the defects which had been exposed. Yet, owing to the peculiarities of the soviet system, there was no reason to fear collapse on that account. The fixing of the prices of rationed commodities for privileged categories in the population protected them from the worse consequences of unwarranted expansion of credit and currency. In reality, the purchasing power of the ruble was determined by the economic status of its possessor, a circumstance that strikingly manifested the inequalities existing under the soviet system. Since a "shock-worker" received larger rations at fixed prices than a manual worker his ruble was worth more than that of the manual worker; and since a manual worker received larger rations at fixed prices than a non-manual worker his ruble was worth more than that of the non-manual worker. Persons belonging to all three categories were compelled to supplement their rations by purchases in state shops where the schedule of fixed prices did not apply, or on the open market; but the larger the rations received the smaller was the need for these purchases. Persons who were not entitled to rations had to rely wholly upon the open market to satisfy their needs. As they were required to pay fantastically high prices, the value of their ruble was extremely low. There was yet another ruble in existence, one officially declared to be the equivalent of the gold ruble of pre-war times. This ruble was obtained by foreigners and Russians who had foreign currency

to exchange at the fixed rate which was still based upon the presumption that the purchasing power of Russian money had not fallen since the day when the chervonets was created. With the illusory gold ruble purchases could be made at special state shops which contained many commodities not procurable elsewhere. Thus the state came into possession not merely of foreign currencies, but also of the rubles into which these foreign currencies exchanged.

The chief concern of the Government was that the rubles paid to the proletarian sections of the community, and particularly to shock-workers, should maintain their value. In order to achieve this purpose it was essential that sufficient commodities should be produced to allow at least of a continuation of fairly adequate rations and that fixed prices of the commodities rationed should not be unduly raised. Provided that these conditions were fulfilled, immoderate credit and currency expansion might cause inconvenience, but it could not bring catastrophe; for whatever happened the workers would be assured of subsistence, and any losses incurred would be borne chiefly by those categories of the population upon whom the Government did not depend for power.

## CHAPTER LI

THE REVOLUTION AND THE PROLETARIAT—LABOUR LAWS  
AND CONDITIONS—EMPLOYMENT OF WOMEN IN IN-  
DUSTRY—ORGANISATION AND FUNCTIONS OF TRADE  
UNIONS—DISCIPLINARY REGULATIONS AND COURTS—  
SOCIAL INSURANCE FUND—WAGES—FAMILY BUDGETS  
(1917-32).

THE Bolshevik revolution was made chiefly in the interests of the workers. In the present chapter soviet labour conditions will be described and compared with those which existed under the previous régime.

The history of the working class in Russia does not extend over more than eighty years. In Russia, as in other countries, this class emerged from serfdom; but in Russia serfdom lasted longer than it did in other parts of Europe. The workers employed in the factories founded by Peter the Great in the eighteenth century were serfs drawn from state domains, and conscripted labour in industry survived to some extent almost into the middle of the nineteenth century. At the beginning of this century not more than 100,000 workers were employed in factories; and it was not until after the Emancipation in 1861 that a proletariat in the commonly understood meaning of the word was formed. On the eve of the revolution the number of workers in large-scale factories was only about 3,000,000, or, together with dependants, about one-fortieth of the whole population. But an equal, if not greater, number of workers was engaged in small workshops or handicrafts, and, in addition, a very large number of peasants shared their time between agriculture and handicrafts.

The deliberate purpose of Bolshevism was to transform the whole population into proletarians in the Marxist sense of the word—that is, into hired manual or non-manual workers in the employment of the state. The extent to which they had succeeded was revealed in the statistics relating to trade union membership; inasmuch as the enjoyment of civic rights depended upon such membership, no one eligible for it failed to enrol. In 1931 the number of members of trade unions was between fifteen and sixteen millions. The immensity of this total is due largely to the circumstance that it included not merely workers in factories, but also those in all branches of state service.<sup>1</sup>

At the end of 1931 the number of workers in large-scale industries was about 5,400,000, about 2,500,000 in excess of that of pre-revolutionary times. This increase was attributable to growth of population, expansion of industry and the employment of very large numbers of unskilled workers as a consequence of the extreme shortage of skilled labour.

The late emergence of a proletariat in Russia explained the fact that labour legislation was retarded. For nearly twenty years after the abolition of serfdom the factory workers were at the mercy of the employer. From 1881 onwards a series of measures for their protection was devised; and on the eve of the revolution the labour laws were in many respects not less humane than those of advanced European countries. Among other rights which the workers possessed were those of annulling engagements when badly treated, appealing to courts of law for compensation in the event of wrongful dismissal, and of receiving compensation for accidents. In 1913 a system of insurance against accidents, illness, child-birth, and death was inaugurated, contributions being obligatory alike for employers and employed. But in many respects labour was abominably treated. Until

<sup>1</sup> In 1930–31 there were about 10,000 foreigners employed in Soviet Russia, 4,140 of whom were specialists.

1890 the average working day consisted of about fourteen hours ; in 1897 it was reduced to eleven and a half hours, and at the same time it was enacted that night work should be limited to ten hours. Not until after the first revolution in 1905 could unions be formed without the assent of the authorities, and no labour organisation was allowed to engage in serious activity without having first obtained the permission of the police.

Soon after their assumption of power the Bolsheviks formulated a code of Labour Laws, which was intended to be a basis for all labour legislation in the future. In later years amendments to this code were introduced with great frequency and suddenness. No pretence was made of adhering to the procedure which the Constitution prescribed for changing the law ; from time to time drastic decrees or regulations affecting labour were issued by various authorities in consultation with the leading officials of the trade unions, all of whom were prominent members of the Communist Party.

The legal working day consists of seven hours, four and a half hours less than that of the old régime ; but in numerous instances the practice is resorted to of keeping workers an additional hour at their posts "in order to improve their technical proficiency." In exceptional cases overtime is allowable, provided that the consent of the appropriate authorities is obtained. Shock-workers, who number three and a half millions, are regularly allowed to work overtime.

Under the soviet régime holidays during the year are fewer by several days than those of the Tsarist régime, during which they numbered about 105. Each worker is entitled to an annual leave of fourteen days ; and the following dates are regarded as public holidays :

January 21 :	In memory of the death of Lenin.
" 22 :	In memory of Lenin and of January 9, 1905.
May 1 and 2 :	In memory of the International.
November 7 and 8 :	In memory of the October (Bolshevik) Revolution.

On September 24, 1929, a decree was issued establishing what was called "a continuous working week," that is a week consisting of "four days work and one day's rest." This decree had two objects in view, to speed up production by diminishing the period of the workers' weekly respite and by uninterrupted use of plant and equipment, and to deal a blow at religious observance by compelling the population to work on Sundays. The innovation was not successful. Relatives and friends were allotted holidays on different days, and therefore could rarely meet. Persons working in several places were often given a holiday by one only, and were thus deprived of rest altogether. Officials refused to discharge the tasks of absent colleagues, and consequently office routine was thrown into confusion. After a trial lasting well into 1930, it was decided to revert to the six days week. "The continuous working week," said Stalin, "was introduced too hastily, without due preparation, without holding individuals responsible for given tasks. It has led to irresponsibility, to the wholesale breakage of equipment, and to the stifling of all stimulus for improvement in productive labour."

Piece-work is general in Soviet Russia. All workers whose production exceeds fixed standards are entitled to higher rates of pay. When in 1931 this practice was made obligatory for all enterprise, the communist leaders frankly admitted that the payment of approximately equal rewards for varying degrees of competence was monstrously unfair, that it deprived the workers of interest in their task and of incentive to improve their qualifications.

The labour laws affecting female workers are commendably beneficent. A woman is allowed to absent herself from work eight weeks before and eight weeks after giving birth to a child, receiving full wages all the time. It is stipulated, moreover, that without the consent of the Commissariat of Labour and the Central Council of Trade Unions no woman can be employed at night nor upon tasks which are heavy,

which involve working underground, and which are injurious to health.

The laws of the old régime provided that a mother should not be allowed to return to work until four weeks after her confinement, and that during this period she should receive benefit from the Social Insurance Fund. They also prohibited the employment of women on night work or upon heavy tasks; but in practice it was not always found possible to enforce these prohibitions. To a still greater extent are the labour laws in regard to women disregarded under the Bolshevik régime.

At the International Women's Conference, held in Moscow on March 8th, 1932, it was stated that in 1931 about 1,300,000 women were employed in the Soviet Union. It was also stated that in the first half of 1931 the proportion of women in the total number of industrial workers was 31 per cent.—about 7 per cent. higher than was their proportion in 1913. It was mentioned that between 1930 and the end of the first half of 1931 the proportion of women to the total number of workers employed in heavy industry increased from 12 to 18 per cent.; and in separate branches of heavy industry as follows: manufacture of machinery from 13.5 to 17.8 per cent., "black" metallurgy 13.8 to 18.1 per cent.; coal mining from 10.5 to 13.7 per cent.; and chemical industry from 11.5 to 14.4 per cent. A speaker at the Conference, Mrs. Marsheva, declared that in Soviet Russia women's labour had proved to be equally, if not more productive than men's labour, thus disproving the idea prevalent in bourgeois countries that the one must necessarily be inferior to the other.

Thirty-eight per cent. of the children belonging to women who work in industry are cared for in state or factory nurseries, a proportion which, it is expected, will reach 75 per cent. when the Five-Year Plan is completed.

The aim of the Bolsheviks is to reconstitute the whole basis of family life. It is intended that in the future all

parents shall work, and that while they are working the state shall look after their children.

With regard to strikes, the workers are, if anything, worse off than they were under the old régime. Their right to strike is recognised by the labour laws, but whenever use was made of it severe repression followed. On such occasions the authorities justified themselves by saying that, since the state was the employer, and it belonged to the workers, they were either foolish or misguided to strike against it. Arbitration or conciliation is compulsory, and an elaborate mechanism has been devised to settle disputes.

The Code of Labour Laws imposes upon the trade unions the task of safeguarding the interests of the workers. Of these unions there are twenty-three; all the workers, manual and non-manual, in each undertaking join the union to which this undertaking belongs. Thus, for example, all workers in a textile mill are members of the Textile Workers Union, whilst those in a metal works are members of the Metal Workers Union. The unions conclude collective agreements on behalf of the workers—that is, agreements with groups of enterprises—concerning conditions of work. Factory Committees, elected by the union members in each factory, deal with their own management in regard to all labour matters.

The status of the unions, which was at one time the subject of much controversy, is no longer inexplicit; for these bodies have been brought completely under the domination of the Communist Party. No person is allowed to hold high office in them who is not a member or nominee of the party; and in each factory or enterprise there is a *yacheika* or cell, composed of communists, and this *yacheika* controls the Factory Committee. In these circumstances trade union organisations consider that their primary duty is not so much to safeguard the specific interests of the proletariat as to answer for its loyalty and discipline before the party.

The laws concerned with discipline are severe. Workers who absent themselves for more than three days during a month, or who perform their duties unsatisfactorily may be dismissed, provided that the consent of the Disputes Committee (one of the authorities entrusted with conciliation) has been obtained beforehand. Workers wrongfully dismissed may claim to be reinstated; but those dismissed in any circumstances by the Workers and Peasants Inspectorate or by certain persons of whom the Commissariat of Labour keeps a list have no right to reinstatement. Not merely is a minimum production required of each worker, but he is liable to severe penalties if the quality of his production persistently falls below the prescribed standard. Chiefs of transport departments may punish offenders against the disciplinary regulations with reprimands, reduction to lower grades, summary dismissal and imprisonment for periods not exceeding three months. In other branches of industries, tribunals, to which the name "Comrades Courts" has been given, adjudicate upon cases of misbehaviour and indiscipline. They may administer and publish on notice-boards or in the Press what is called "comradely censure." They may also impose modest fines and exact modest damages. Should they consider that heavier penalties are merited, they can remit cases to the People's Court, the functions of which resemble those of a police court in England.

Rigorous disciplinary laws are required because indiscipline is widely prevalent in the factories. Even Lenin realised that laziness was a racial defect of the Russians, and that many Russian workers were resentful of authority, routine, and orderliness. Since the introduction of the New Policy as far back as 1921, instructions had repeatedly been given that one-man management should replace the management of factories by collegiates in which the workers participated; but many enterprises ignored these instructions. In 1931 peremptory orders were issued to the effect that one-man management must

become general. Yet, although this order was widely obeyed, no improvement in discipline ensued.

Generally speaking, labour is not free in Soviet Russia. There is a law which says that any person who disorganises production by leaving his employment without permission shall be deprived of work for a period of six months. This provision was directed against workers—"fliers," as they were called—who in large numbers migrated from factory to factory in search of better wages and conditions. The effect of it was to tie workers to particular enterprises, as peasants were tied to the land in the sixteenth century, when the foundations of serfdom were laid. Other laws declare that, so long as they are qualified for it, workers shall accept whatever employment is offered to them by the Labour Cadre Department, or, when there is no employment available at their own profession or trade, shall consent to undergo training in another profession or trade; and that unemployed men or women who have been certified as fit for loading and unloading work and who refuse to perform it shall be struck off the unemployment registers.

Each worker must have in his possession a labour-book, in which are inscribed the amount of the wages paid to him, details regarding his work and the manner in which he has performed it, and a record of any fines that may have been imposed upon him. Should he be dismissed, he is not allowed to seek work himself, but must accept such employment as is offered to him by the Labour Cadre Departments.

In view of the provisions which have been cited, it is evident that labour generally is not free in Soviet Russia, and that under Bolshevism, as under Capitalism, a worker who does not accept such employment as may be available is faced with starvation.

In addition to the restraints which have been enumerated, and which apply to labour of all kinds, there exist forms of disguised compulsion. To the chief of these the name "self-imposed task" has been given.

By a majority of one vote an assembly of peasants may bind itself to undertake work in common ; those who do not attend are forced to acquiesce in the decision taken ; and anyone who refuses compliance may be heavily fined or sentenced to compulsory labour for one year. The procedure described has been put into operation for the recruiting of labour for the hewing and hauling of timber.

As a consequence of an agreement made between the local labour department and the management of collective farms, peasants in these farms may be required to perform work in all seasonal occupations other than those associated with agriculture.

Lastly, there is undisguised compulsory labour in Soviet Russia. This form of compulsory labour consists of (1) periodic mobilisations of the local populations, (2) sentences imposed in the Criminal Courts.

Whenever a shortage of labour makes itself felt in any neighbourhood, the local authorities are empowered to conscript workers.

For offences against the law, compulsory labour can be imposed either with or without detention. Persons sentenced to the first form of compulsory labour are confined in one of the following : houses of detention (chiefly prisons) ; correctional camps ; transitional colonies ; special penal camps under the control of the G.P.U. Persons whose sentence does not exceed a period of six months are confined in houses of detention ; those whose sentence exceeds six months, in correctional camps ; those who have acquired a capacity for collective work whilst serving sentences elsewhere, in transitional colonies ; those guilty of counter-revolutionary offences, in camps under the control of the G.P.U.

Persons sentenced to compulsory labour without detention for a term less than six months may serve it in the place where they reside ; but if the term of their sentence exceeds six months, they are compelled to serve part of it away from the place where they reside. It may

be added that the Courts may exile offenders to remote regions, order them to give up the occupations which they are pursuing and confiscate their property.

In the legal code, compulsory labour is described as "correctional labour," and it is set forth that its purpose is to deter untrustworthy members of society from committing crime, and to effect their reformation. Here it should be explained that many actions which would be regarded as inoffensive in other countries are looked upon as crimes in Soviet Russia, where the laws are those of a revolutionary state, and any person, who, by deed, word, or in certain circumstances thought, shows enmity towards the régime renders himself liable to arrest and imprisonment. In these conditions, it is not surprising that the national economy has at its disposal a large army of compulsory labourers who are at the same time regarded as hostages of the state.<sup>1</sup> It is difficult to obtain exact figures as to the strength of this army. An ex-official of the G.P.U. who escaped to Finland informed *The Times* correspondent at Helsingfors on January 29th, 1931, that 655,109 persons were incarcerated in the detention camps of Northern Russia and Siberia, of whom 562,892 were men, 73,285 women, and 18,932 young persons between the ages of thirteen and seventeen.

In a report read in January 1931 at the Research Institute of Professor M. Sering,<sup>2</sup> Professor Auhagen gave half a million as the number of persons detained in these camps. "In any case," concluded the Birmingham Bureau of Research on Russian Economic Conditions,<sup>3</sup> "in 1929, no fewer than 350,000 persons were sentenced to compulsory labour without being placed under guard, and, together with those who were kept in the houses of detention, about 450,000 to 500,000 persons served sentences of compulsory labour in various agricultural

<sup>1</sup> The financial plans for 1933 provide that a revenue of 300 million rubles shall be derived from the proceeds of compulsory labour.

<sup>2</sup> *Der Deutsche Forstwirt*, No. 11, November 6, 1931.

<sup>3</sup> Memorandum No. 1, May 1931.

settlements, factories, workshops, labour colonies, prisons and deportation regions."

Up to the present no impartial witness has been allowed to visit the detention camps. "Despite the fact," wrote the Moscow Correspondent of the *Observer* on June 2nd, 1931, "that, last March, Molotov, in denying reports about forced labour in the lumber industry, declared that foreign press correspondents had 'freedom of movement,' and should therefore contradict false reports, my request to the G.P.U. authorities to visit some concentration camps encountered a curt refusal. It was therefore quite impossible for me to gain any first-hand impression about the kind of work which was carried on there, or about the food, housing, and other conditions of the prisoners."

Yet the Bolsheviks cannot be accused of resorting to compulsory labour in the strict meaning of the term. It is in the nature of their régime to create large numbers of "convicts," and these "convicts" are set to compulsory labour. As for the general population, it is periodically mobilised in parts, and is required temporarily to undertake compulsory labour, whilst even the conditions under which its daily work is performed are controlled by restrictive laws which, if they do not amount to downright compulsion, impede the exercise of freedom in an unusual number of ways.

During War Communism sub-departments were established in different regions for the management of compulsory labour. After the introduction of the New Economic Policy in 1921 these sub-departments were reorganised and became labour exchanges. The Code of Labour Laws stipulated that all persons should be engaged through their medium but, in accordance with the general practice of soviet legislation, it made important exceptions. Thus it was enacted that persons having special knowledge or qualification could be employed without the intervention of the exchanges. In these categories were placed "persons of political reliability," a designa-

tion which was meant to apply particularly to communists. The code further provided that any person who for no adequate reason refused the work offered to him by the exchanges should be deprived of unemployment benefit, and in the event of his persisting with this refusal, should be struck off the unemployment registers.

In 1926-27 the officially registered number of unemployed was 1,353,000, in 1927-28 1,374,000. At no time did the total amount of unemployment benefit paid from the Social Insurance Fund admit of a grant of more than two or three rubles weekly for each person; but usually this grant was supplemented by small weekly benefits from trade unions, and the recipients were excused from payment of rent for housing space and for the supply of light and water, or were only required to pay nominal sums for these services.

According to the returns of the Commissariat of Labour and of the Central Council of Trade Unions, the number of registered unemployed in the spring of 1929 was one million, 72 per cent. of whom were intellectual and unskilled manual workers, among whom women and adolescents were in the majority. When these returns were compiled no account was taken of the agricultural and seasonal workers who were out of work at the time. Simultaneously with the publication of the unemployment figures it was announced that a severe shortage of labour existed, and that the exchanges were incapable of satisfying 80 per cent. of the demands made upon them. Stalin thereupon said that in Soviet Russia there was no permanent army of unemployed, and that "we are actually compelled to train unskilled workers while on the march."

On April 1st, 1930, the Commissariat of Labour reported that the number of unemployed was still about one million, half of whom were women, whilst the remainder included large numbers of youths under twenty-three years of age. It was also officially stated that in all large centres, with the exception of Moscow,

there were only 100 applicants for every 277 vacancies, and that in Moscow there were in August 100 applicants for every 520 vacancies. Towards the end of 1930 it was officially declared that unemployment no longer existed, and on November 11th a decree was issued discontinuing unemployment benefit. It was considered that the problem of providing work for all had been solved, and that thenceforth the main task associated with labour would be to plan its distribution. Immediately Labour Exchanges were replaced by Labour Cadre Departments, whose function was to register all workers and to send them wherever it was thought that their services could best be utilized.

For propagandist purposes much use was made of the official announcement that unemployment had been conquered. If unemployment had in fact been abolished, then the Bolsheviks were certainly justified in neglecting no measures for acquainting the world with their achievement. Marx had said that unemployment was an unavoidable accompaniment of capitalism, and that by its very existence it depressed the wages and conditions of those in work, thus proving of benefit to employers. The Five-Year Plan anticipated not the abolition, but the diminution, of unemployment in socialistic Russia. By 1932-33 the number of unemployed was to be reduced to 400,000, and was thenceforth to remain at that total for some time. The claim was made that three years in advance of this date unemployment had been completely done away with.

In determining whether or not such a claim is admissible, regard must be paid to the following considerations: owing to the insufficiency of skilled workers, the proportion of unskilled workers employed in Soviet Russia is much larger than in other countries, a circumstance that partially accounts for the great increase in employment generally; members of the disfranchised class, which is composed largely of ex-bourgeois and kulaks, are not allowed to register at the Labour Cadre Depart-

ments ; the number of unemployed in this class must be very considerable ; large numbers of persons are serving sentences of compulsory labour for offences which in other countries would not be considered crimes.

On the eve of the revolution social insurance on a modest scale was being introduced in Russia. One of the principal achievements of the soviet régime was to organise a new system of social insurance. This system does not apply to the peasantry ; and a large number of townspeople—probably as many as nine millions—are also excluded from its benefits. Among this number are those whose activities under the old régime are considered to have been hostile to soviet principles, clergymen or office-holders in religious organisations, and persons who have been dismissed from employment in state enterprises, or sentenced by the Courts to loss of civic rights.

Only employers contribute to the Social Insurance Fund. The following is a brief summary of the benefits derivable from it under the regulations as amended in February, 1931 :—

Workers who, while employed, are temporarily incapacitated for work by illness, and those who are compelled to stay away from work in order to look after sick relatives, are paid full wages. Medical treatment and drugs are provided free. Contributions are made towards funeral expenses.

Sanatoria, rest-homes and resorts are maintained partly by means of grants from the Social Insurance Fund, and partly by contributions from the trade unions and health departments. Palaces and residences formerly in the occupation of the Imperial family and the nobility have been converted into institutions of this kind. Admission is confined almost exclusively to the workers and peasants ; hardly 1 per cent. of the whole population could have been housed in the accommodation available.

Workers, manual and non-manual, permanently incapacitated by accident during employment or by occupa-

tional disease, receive pensions, the maximum of which is two-thirds of the wage which they earned when in work. Dependents who become responsible for the maintenance of families on the death of insured workers receive pensions varying from four-ninths to two-thirds of the wage which these insured workers earned when alive. Dependents of workers who for some reason or other have disappeared are also entitled to pensions on the same scale.

Women benefit considerably from the Social Insurance Fund. The wages paid to them during the periods before and after the birth of a child when they are allowed to absent themselves from work are defrayed by the fund. Sums are also granted from the same source for the purchase of infants' clothing.

Old age pensions are being introduced, but so far they apply only to the workers in one or two industries.

Between 1923 and 1929 the total number of persons insured increased from 4,900,000 to 10,460,000; the amounts expended by the fund during three years were as follows:—

	Rubles.
1927-28 . . . . .	984,000,000
1928-29 : : : : .	1,555,000,000
1929-30 . . . . .	1,314,000,000

According to the statistics of the State Planning Department, the amount expended during 1929-30 upon social insurance, workers' dwellings and the maintenance of hospitals and health services was equal to 28.3 per cent. of the wages fund.

A comparison of the expenditures on social services in Soviet Russia and Great Britain gave interesting results. The Russian figures for 1927-28 were taken from the estimates of the State Planning Department, the British figures for 1929 from the White Paper, dated December 15th, 1930. The British statistics, about to be quoted, were therefore a year ahead of the Russian statistics. But this circumstance little diminished the value of com-

parison, for so much were British totals the greater, that Soviet Russia could not hope to catch up to them for many years to come. In studying the data here presented two conditions need to be borne in mind: (1) that the population of Soviet Russia was more than three times larger than that of Great Britain, (2) that Soviet Russia was much poorer than Great Britain.

The total expenditure upon social services in Soviet Russia was 984,000,000 rubles (nominally £98,400,000); in Great Britain it was £395,000,000.

The expenditure on the sick, and on rest-home and sanatoria benefits in Soviet Russia was 337,521,000 rubles (£33,752,100). In Great Britain the corresponding expenditure (for health insurance, hospital treatment and disease, maternity and child welfare work) was £50,818,000.

Expenditure on invalid pensions in Soviet Russia amounted to 185,122,000 rubles (£18,512,200), in Great Britain to £58,741,000, or, if war pensions be included, to £112,699,000.

The expenditure on unemployment benefits in Soviet Russia was 108,726,000 rubles (£10,872,600), in Great Britain £24,500,000. In addition, £43,936,000 was expended upon poor relief in Great Britain. It should be added that at this period the number of unemployed in Soviet Russia was not less than in Great Britain.<sup>1</sup>

Expenditure for housing workers in Soviet Russia amounted to 14,066,000 rubles (£1,406,600); the total credits granted to building co-operative societies by the government and municipalities amounted to 90 million rubles (£9,000,000). Budget expenditure for housing the working classes in Great Britain totalled at £31,642,000.

In considering labour conditions generally in Soviet Russia, it must be remembered that shock-workers are excluded from the operation of the labour laws, and also

<sup>1</sup> Unemployed workers in Russia were granted remission of rent, and of charges for lighting and water supply.

that occasionally these laws do not apply to large numbers of persons who by their own desire temporarily undertake intensive tasks. Both categories expect miraculous results from the Five-Year Plan, and are anxious to do all that lies within their power to bring these results about. In return, they are awarded numerous privileges and honours. They receive the maximum scale of rations and are provided with the best living accommodation available. They are given priority in admission to rest-homes ; their children enjoy educational facilities denied to others ; and whenever possible they are promoted and employed in factories where other members of their family already work.

Intensive tasks are carried out under inhuman conditions. Attempts are being made to industrialise a vast continent at unprecedented speed. In spite of all that has been said about planning, the construction of great works is frequently undertaken with inadequate technical supervision and but little preparation for the comfort of the employés. Large numbers of workers are called upon to endure suffering such as only soldiers undergo in war, and such as workers in the West would not tolerate for a moment. That in these circumstances they exhibit not merely fortitude but real enthusiasm shows that they are exceptionally well endowed with that rough vigour which distinguishes the Russian race when it is aroused to action, and which to some extent explains the almost mystical faith in the Five-Year Plan which is held by a large section of the population.

Here it is of interest to note that the Bolsheviks speak of the heroism of the shock-worker as barbaric, while others ascribe it to a patriotism that is barbaric. One or two examples of its expression on a mass scale may be cited.

In the Urals a great metallurgical works, known as Magnetogorsk, is in course of construction. All the coal necessary for this undertaking is brought from the Kuznetski region over a single track of railway more than

a thousand miles long, a distance equal to that between London and Warsaw; over this track also is conveyed much of the building material required. Despite the rigours of the climate in the Urals, work has proceeded continuously. It has proceeded during the hottest period of summer and the coldest period of winter; during night as well as during day. Large electric lamps were used to illumine the darkness.

Magnetogorsk is an enterprise of the young; any worker on the site who has passed forty years of age is regarded with frank contempt. Altogether nearly 200,000 workers are employed, and among these workers no fewer than thirty-five nationalities are represented. Sixty per cent. are between the ages of eighteen and twenty; and the overwhelming majority consists of raw peasants. The workers' dwellings are overcrowded and filthy. Epidemics of typhus have occurred and many lives have been sacrificed.

In other parts of Soviet Russia large numbers of children have at times volunteered to work in coal mines, and their services have been accepted. At times also large numbers of workers have left the factories at a moment's notice, organised themselves into brigades having a semi-military discipline, and marched many miles, taking with them but little food in order to harvest cotton and other crops, which were in danger of destruction owing to shortage of labour.

The zeal displayed by one part of the workers, not less than the compulsion, disguised and otherwise, applied to the remainder, results in the protective clauses of the Labour Code being largely ignored, and accentuates the inequalities unavoidable as a consequence of the varying rewards of piece-work.

Owing to the widespread prevalence of piece-work and the peculiarities of the soviet economic system, even an accurate comparison between wages paid in Russia before and after the revolution cannot be made. Expressed in monetary terms, wages on the average in Soviet Russia

are much higher than those of Tsarist Russia; but owing to the frequent scarcity of essential commodities it is difficult to say at any given moment what is the actual value of the ruble. Consequently, although nominal wages may be higher, real wages are frequently lower than in pre-war days.

Detailed official information regarding wages in general was not forthcoming at the end of 1931. It was merely stated that money wages had increased during the year by 17 per cent., but no budget index or other data were presented by means of which the true value of these wages could be ascertained. It was certain, however, that, owing to the growth in the cost of living, real wages had decreased. The chief reason for this decrease was the increased employment of cheap labour—that is, of women and untrained peasants. During the first part of the year an attempt was made to arrest the growth of money wages. Instructions were given that workers in certain industries, especially heavy industries, should be given extra rations. Yet money wages continued to increase. In the second half of 1931 the Supreme Economic Council gave orders that all superfluous workers should be dismissed, and that it should not be permissible to increase wages when the effect would be to enlarge the wages fund and to add to the cost of production.

The following average monthly family budgets convey an idea of the domestic economy of the average Russian worker during the years prior to 1931:—

TABLE I<sup>1</sup>  
(1924-27)  
Central Regions of the U.S.S.R.

INCOME (in chervonets rubles).	Nov.- Dec. 1924.	Nov. 1925.	Nov. 1926.	Nov. 1927.
1. Total . . . .	74·79	92·63	98·95	106·91
2. Wages of head and members of family from main occupation . . . .	56·71	75·05	80·89	87·86
3. Social insurance . . .	2·44	4·64	5·00	4·62
4. Additional earnings of head and members of family .	1·13	1·23	1·26	1·42
5. Receipts from own produce.	2·23	2·28	1·59	1·76
6. Loans . . . .	2·97	3·43	4·30	4·33
7. Sale of articles and withdrawals from savings .	1·16	0·83	0·76	0·60
8. Other receipts . . .	8·15	5·17	5·15	6·32
EXPENDITURE.				
9. Total . . . .	74·57	92·34	98·03	106·27
10. Rent . . . .	4·08	5·24	6·60	7·29
11. Heating and lighting . .	5·94	5·99	6·66	6·60
12. Food . . . .	34·54	41·42	44·71	46·49
13. Alcohol . . . .	0·73	1·94	2·33	2·97
14. Tobacco, cigarettes, matches	1·02	1·14	1·24	1·46
15. Clothing, toilet . . .	15·65	22·82	20·55	23·86
16. Household articles, furniture, decoration . . .	1·97	2·73	3·01	3·48
17. Hygiene . . . .	0·42	0·49	0·53	0·59
18. Medical treatment . . .	0·17	0·24	0·27	0·25
19. Education, reading, amusements . . . .	1·57	1·56	1·72	1·91
20. Contributions to Trade Unions, Communist Party, etc. . . . .	2·37	1·76	2·63	2·30
21. Help to relations . . . .	0·62	0·77	0·92	1·32
22. Expenditure on own produce	2·18	1·82	1·40	1·54
23. Other expenses . . . .	3·31	4·42	5·46	6·21
Number of households investigated . . . .	2,097	2,396	2,310	2,494
Average number per household of :				
Persons . . . . .	4·15	4·16	4·09	4·06
Workers . . . . .	1·24	1·32	1·30	1·29

<sup>1</sup> *Statisticcheski Spravochnik, S.S.R.*, 1926.

TABLE II<sup>1</sup>

(1929-30)

INCOME (in chervonets rubles).	Manual Workers, July— Sept., 1929.	Manual Workers, Oct.— March, 1930.	Non- Manual Workers, Oct.— March, 1930.
1. Total . . . .	119·51	119·04	109·36
2. Wages of the head of the family from main occupation .	86·92		
3. Wages of members of family from main occupation .	12·60	102·72	95·68
4. Social insurance, etc. . .	7·28	—	—
5. Other income . . . .	2·19	16·07	13·60
6. Own produce . . . .	4·32	—	—
7. Other items . . . .	5·70	—	—
8. Repayments . . . .	0·50	0·25	0·07
9. Withdrawals from savings . .	—	—	0·01
EXPENDITURE.			
10. Total . . . .	119·19	118·69	109·33
11. Rent . . . .	10·36	6·87	9·18
12. Heating and light . . .	2·27	3·10	4·90
13. Food . . . .	55·92	55·34	50·01
14. Alcohol and tobacco . . .	4·95	4·52	2·37
15. Clothing and toilet . . .	21·19	19·43	13·66
16. Household articles . . .	4·75		
17. Health and medicine . . .	1·39		
18. Education, reading, amuse- ments . . . .	2·57		
19. Contributions to Trade Unions, Communist Party, etc. .	3·84	28·30	28·76
20. Help to relations . . . .	2·01		
21. Repayments . . . .	0·77		
22. Other expenses . . . .	6·46	1·13	0·45
23. Balance . . . .	2·71		
Number of households investigated	1,352	1,403	886
Average number per household of :			
Persons . . . .	4·01	3·97	3·55
Adults . . . .	2·64	—	—
Workers . . . .	1·27	1·29	1·21

<sup>1</sup> *Trud v S.S.S.R. Spravochnik za 1926-36.*

The figures quoted relate to the family budgets of manual workers in the principal industries of large industrial areas, and of lower-grade non-manual workers in large and small towns. The incomes for July—September 1929 were partly in kind, the money value of which is given. The incomes for October—March 1930 consisted of money only. The figures for this period are provisional.

## CHAPTER LII

### RAPID COLLECTIVISATION OF INDIVIDUAL HOUSEHOLDS—THE BREAD PROBLEM UNSOLVED—PROGRESS OF MECHANISATION—RETURN TO THE USE OF HORSES—ECONOMIC RESULTS IN SOVHOZES AND KOLHOZES (1931–32).

Throughout the whole of 1931 the collectivisation of agriculture continued at an extraordinarily rapid rate. Between the end of 1930 and July 1st, 1931, the number of collective farms increased from 96,000 to 218,000 and of peasant households in these farms from 5,562,000 to 13,694,000. By the end of 1931, sixteen million households—that is, 60 per cent. of all households—were collectivised.

Prior to 1931 the rapidity of collectivisation had been attributed chiefly to the pressure of administrative measures and a desire of the poorer peasants to participate in the ownership of the expropriated land and property of the kulaks. But during 1931 neither violence nor greed played a decisive part in the movement. By this time large numbers of peasants were persuaded that further resistance to the wishes of the authorities was purposeless, and that in order to assure food and protection for themselves and their families they must at once enter collective farms.

Naturally, the Bolsheviks were delighted with the swift progress of collectivisation. They considered that their chief object was achieved, inasmuch as they had obtained control over the production and consumption of cereals and that there would no longer be any difficulty in feeding the towns. In reality, the situation was not so satisfactory as they imagined it to be. Whilst during the soviet régime the population had considerably increased, cereal harvests, with the exception of that of 1930, had been lower than in the period immediately preceding the

war; and each year, not excluding 1930, the quantity of cereals calculated per capita had been lower than that of 1913. The per capita figure for 1931, for example, was 1,075 lbs. in comparison with 1,321 lbs. for 1913.

Judging by experience over a long period, there was thus no reason to suppose that a harvest equally as large as that of 1930 would be assured in the future. Yet the Bolsheviks were persuaded that since the pre-war level of production had been surpassed in one year, the recovery of agriculture would be accomplished; and in 1931 plans were made in the belief that the harvest would amount to nearly 6,000 million poods. Actually 4,880 million poods were obtained, 600 million poods less than in the preceding year.

In the first nine months of 1931, 104 million poods of grain were exported, for which a sum was received only equal to that obtained for a little more than half that quantity exported in the corresponding period of the previous year.

The state planned to reserve during 1931-32 a quantity of grain enormously exceeding that marketed in pre-war times for home consumption and for export purposes. It was officially announced on March 1, 1932, that the plan had been fulfilled by 91.2 per cent., but the total secured was not disclosed. According to an amendment which had been introduced in the Five-Year Plan the collective farms were to deliver yearly to the State 300 million poods of grain by 1932-33. Actually on March 1, 1931, they had delivered for the year 1930-31 460 million poods, whereupon it was said that their contribution to the grain reserve exceeded the Five-Year Plan requirement within a year of the limit set for its fulfilment, and compensated three or four times over for the absence of supplies from the kulak class which was now almost defunct. The figures relating to the contribution of the collective farms to the grain reserve of 1931-32 are not available.

Here it should be explained that of late years state con-

trol over the distribution of grain had been strengthened. Formerly, those regions producing less grain than they consumed or none at all, as, for example, those engaged exclusively in growing technical crops, had been able to purchase grain on private village markets. One of the consequences of the rapid collectivisation of agriculture was the abolition of these private village markets. Henceforth, although the amount of grain collected by the state increased, owing to the expansion of demand from the non-producing agricultural regions, the towns did not benefit materially.

If as a result of a poor harvest or for any other reason a shortage occurs in some districts a large state grain reserve is useful, always provided, of course, that transport facilities are efficient and that supplies can be moved fairly rapidly. In 1931 the harvest was only moderate in size.

As early as February of 1932, in the Volga, Ural, Western Siberian and other regions there was a lack of grain, both for human consumption and for seed for spring sowing, and the government was compelled to despatch relief supplies to the extent of one million tons. Owing to the breakdown in transport large consignments never reached their destination. It was stated in the soviet Press that owing to the apathy of the officials in the collective farms preparations for sowing and ploughing had been criminally neglected. Simultaneously official instructions were issued to the effect that for the time being no further attempts should be made to collectivise individual households, which still constituted 40 per cent. of all households; and it was explained that if these individual cultivators were encouraged, their activities might serve greatly to increase the harvest of cereals.

During 1931 the weather in some regions was not so favourable as in the previous year. But this was only one of many causes which brought about the serious decline in cereal production. Other causes had their origin in the chaos which existed in the collective farms.

Owing to the fact that within the last two years the number of the farms had been multiplied many times over, the consequences of this chaos were very widespread. No systematic farming practice had been devised either for the state farms (sovhoz) which were intended to serve as models of socialised agriculture, or for the collective farms (kolhoz). In both, the management had but one object in view—to sow the full area which the plan prescribed. In many instances little attention was given to the manner in which this sowing was accomplished; the soil was ill prepared; preliminary field operations were performed too late, as a consequence of which the yield proved to be smaller than it would otherwise have been; and the harvest also was gathered in too late, with the result that enormous losses were sustained.

The kolhozniks, as the peasants in the collective farms were called, came and went as they liked. Instead of performing labour in common, in accordance with the rules of the artels to which they belonged, they chose their own hours for work, and no one was made responsible for particular tasks or for the care of animals or equipment. In these circumstances, it was not surprising that disorder reigned, and that much communal property was damaged.

The following two tables show (A) the extent of the areas sown with cereal, technical and other crops, over a period of years; and (B) the extent of the sowing areas of (1) state farms, (2) collective farms, and (3) individual households in each season during 1930 and 1931:

TABLE A  
*Sowing Area (in millions of hectares).*

	Cereals.	Technical Crops.	Other Crops.	Total.
1913	. . .	102.7	5.5	116.7
1929	. . .	96.0	8.8	118.0
1930	. . .	102.0	10.7	127.8
1931	. . .	104.5	14.1	136.6

TABLE B  
*Sowing Area (in thousands of hectares).*

	Collective Farms.	State Farms.	Individual Farms.	Total.
Spring 1930 . . .	33,045	2,934	53,611	89,590
Autumn 1930 . . .	9,779	1,709	28,055	39,543
Spring 1931 . . .	58,893.7	8,804.2	29,334.3	97,032.2
Autumn 1931 . . .	25,936	2,326	10,011	38,273

The foregoing statistics show that the increase in total sowing area since 1913 was mainly due to the increase in that part devoted to technical and secondary crops; and that the area sown with cereals only attained the pre-war level in 1930. It may be added that, whilst in 1931 the area under cereals was slightly larger, the harvest was substantially lower than in 1913; that the increase in this area was confined to state and collective farms; and that individual households diminished the extent of their cereal cultivation by as much as twenty-eight million hectares.

Of especial interest is the part played by mechanisation in this second agrarian revolution. The Bolsheviks always believed in the application of mechanisation to large-scale farming as a means of greatly increasing production. Before the Five-Year Plan was adopted, attempts were made to give expression to this belief; and the Plan itself contained elaborate projects for the mechanisation of collective farms. Thus it was proposed that by 1932-33 there should be 170,000 tractors at work in the Soviet Union. In various centres stations or depôts were established and provided with tractors and other farm machinery which were let out on contract to the collective farms in the vicinity. In 1931 the number of tractors in use was 120,000; but the number of peasant households in collective farms was ten million greater than the total projected for 1932-33, the last

year of the Five-Year Plan. With a farm population four times larger, Soviet Russia possessed four times fewer tractors than the United States. Not more than 13 per cent. of all collective farms were equipped with mechanical power. So far, therefore, collectivisation was chiefly based not upon mechanisation and rationalisation, but upon the pooling of the primitive equipment of millions of small peasant households.

Although the total number of tractors in use is still very inadequate, it was a not inconsiderable achievement on the part of the Soviet Government to have supplied agriculture with 120,000 tractors in so short a time. Unfortunately, insufficient care has been taken of these tractors, and consequently many of them have been so seriously damaged that their repair will occupy a long time. The Commissariat of Agriculture announced that owing to this circumstance 70 per cent. of farm work would have to be carried out during 1932 with the aid of horses. But the number of horses has greatly diminished; the peasants accepted too literally the assertion frequently made by the Bolsheviks that the horse-age had passed; hence, they killed many thousands of horses, and let loose many thousands more to roam wild over the countryside; whilst they ill-fed and generally neglected those which they retained in their possession.

The majority of state farms (*sovhoz*) are heavily subsidised; few of them make profits and many incur losses. "The cost of production in some state farms," declared *Financy i Socialisticheskoe Khoziaistvo*, No. 26, 1931, "is extremely high; and bears no relation to established grain reserve prices."

Of the true financial condition of the collective farms (*kolhoz*) little is known. The functions which they were called upon to discharge—management of production and distribution, and of communal labour and property—necessitated a complicated system of book-keeping. But trained book-keepers were scarce in Soviet Russia, more particularly in agricultural areas. In addition, it must

be borne in mind that most of the collective farms were hastily and crudely organised, and that the chaotic way in which they were conducted rendered even accountancy of the simplest kind impossible.

In 1932 the communist leaders came to the conclusion that the inefficient management of the collectivised farms was due to their excessive size. Thereupon instructions were issued to the effect that the areas of state farms should be reduced, and that, with a view to raising productivity and abolishing irresponsibility in the use of property, brigades should be organised in collective farms, and that each of these brigades should have for the period of one year its own section of land to cultivate, its own implements, its own seeds, cattle, horses, machinery and other equipment. It was also stipulated that the practice followed in 1930 of distributing produce according to the number of kolhozniks in a farm should be abandoned; that henceforth labour-books should be introduced; that in these books should be inscribed the number of days worked; that, generally speaking, the valuation of the labour day of each member should be determined by the labour capacity of the brigade as a whole; that five groups should be created, each of which should have a fixed remuneration for a norm of labour; and that labour should be paid according to the nature and amount of work performed. These instructions were in keeping with the spirit of the model articles of association for the artel which had been drawn up in 1930, but which, owing to the confusion prevailing, had hitherto remained largely in abeyance.

## CHAPTER LIII

### THIRD YEAR OF THE FIVE-YEAR PLAN—FAILURE OF HEAVY INDUSTRY—SLOWER INCREASE OF NATIONAL INCOME—GAINS AND LOSSES—THE NEW FIVE-YEAR PLAN—SOME CONCLUSIONS (1931-32)

ACCORDING to the Five-Year Plan, the gross production of large-scale industry should have increased during 1931 by 44·3 per cent.; in reality an increase of only 21·7 per cent. was achieved.

The following table shows in milliards of rubles the progressive growth of this gross production expressed first, in pre-war prices, and secondly, according to official statistics, in 1926-27 prices:

	Pre-war Prices.	1926-27 Prices.
1913 . . . . .	6·4	—
1930 . . . . .	12·9	22·3
1931 planned . . . . .	18·8	32·6
1931 fulfilled . . . . .	15·7	27·1

Whereas the plan contemplated that during 1931 the number of workers in large-scale industry would reach 4,207,000, this total was exceeded by 570,000. Whereas the plan contemplated that the output of each worker would amount to 4,469 pre-war rubles, or double that of 1913, the output attained amounted to 3,278 pre-war rubles. And, lastly, whereas the plan contemplated a decrease in the cost of production of 10·5 per cent., there was an increase of 2·0 per cent.

It was officially stated that money wages increased by 17 per cent.; but the cost of living increased to a still greater extent. According to some authorities, the index of prices was 50 per cent. higher in 1931 than in 1930.

The following table shows the progressive production of four leading branches of large-scale industry:—

	Coal.	Oil.	Pig-Iron.
1913 . .	28.9 million tons	9.3 million tons	4.2 million tons
1930 . .	49.2 "	18.9 "	5.3 "
1931 planned .	83.6 "	25.6 "	8.0 "
1931 fulfilled .	58.6 "	22.3 "	4.9 "

#### COTTON TEXTILES.

1913 . . . . .	1,625 million metres
1930 . . . . .	2,454 "
1931 planned . . . . .	2,820 "
1931 fulfilled . . . . .	2,390 "

It will be seen that the output of coal fell short of the quantity planned by more than 25 million tons and of pig-iron by 3.1 million tons. Failure in these respects was serious. "On the adequate fulfilment of the plan as regards black metallurgy," said Kuibyshev, Chairman of the State Planning Department, in his report to the Central Executive Committee, "depends the realisation of the Five-Year Plan for 1932 and even of the second Five-Year Plan."

Increase in production as a whole slowed down during 1931. An increase was planned in the national income, in other words in the value of national production, of 30.5 per cent. over the total of the previous year. Actually, in pre-war prices, an increase of only 6.2 per cent. was achieved. If a reasonable allowance be made for the deterioration in the quality of the goods produced, then the claim made in former years that the national income of Soviet Russia increased at a faster rate than the national incomes of all capitalist countries in pre-war time, no longer held good. It was indeed doubtful whether the increase in the national income during 1931 was greater than that achieved under the Tsarist régime.

Once again, in most industries increased production was obtained at the expense of quality. An enormous

quantity of ash was transported together with coal. *Za Industrializatsiu* of September 28th, 1931, declared that the sulphur content of iron had greatly increased and that the quality of metallurgical production as a whole had fallen. In the Petrovski works 26·4 per cent. of the rails produced were defective; in the Kerchinski works the proportion of defective first-grade rails produced during the first half of the year was as high as 50 per cent.

The quality of all rails manufactured was extremely low; frequently they lasted only one-third of the normal life of rails.<sup>1</sup> According to *Economic Life* of November 19th, 1931, defective rails were sold for a higher price than was usually paid for good rails.

In light as well as in heavy industry a further lowering of the quality of goods produced was noted. At a conference summoned by *Economic Life* and the Committee for Standardisation in November 1931 it was stated that one-fifth of all cloth manufactured in textile mills was defective, and that some undertakings deliberately manufactured goods of poor quality because they found it profitable to do so.

*Za Industrializatsiu* of August 2nd and 21st recorded that in the Ivanovski region 70 per cent. of all cotton textiles manufactured were defective, that, as a consequence of the inadequacy and negligence of the clothing industry, citizens were compelled to wear odd-looking suits of variegated colour and quality; and that the proportion of shoddy goods in the output of three leading boot and shoe trusts was as follows: Moscow, 20 per cent.; Leningrad, 43 per cent.; Ukrania, 34 per cent.

All the soviet newspapers agreed that technical supervision was weak. At a conference of foreign specialists held in Leningrad on January 16th, the whole session was occupied with complaints of technical mismanagement, and of bureaucratic obstruction. Many of the delegates declared that the trade unions refused to

<sup>1</sup> *Za Industrializatsiu*, July 15th, August 4th and 15th, and September 4th, 1931.

co-operate with them, and that they were isolated in the factories where they were employed.

The quantity of commodities transported by rail during 1931 was 254 million tons—not far short of double that transported in 1913. Intensification of traffic was accompanied by further decline in labour discipline and deterioration of equipment. Many rails cracked shortly after being laid. At the end of the year the Commissar for Communications and a number of his assistants were dismissed as a consequence of their mismanagement of the railways.

Since the introduction of the Five-Year Plan the Soviet Government has published only very scanty statistics as to the industrial side of production. The gross value of large-scale industry is made known; figures are also given for the production of a small number of leading industries, nearly all of which, however, are not engaged in producing commodities for personal consumption; but no detailed statistics whatsoever are forthcoming regarding the output of the remaining industries, many of which manufacture consumable goods.

The value of the production of Soviet Russia as a whole, agricultural as well as industrial, can be ascertained by reference to the value of the national income. If, from the total of this national income, as expressed in prices of 1913, the amount set aside for capital accumulation is subtracted, if a further deduction is made to allow for the deterioration in the quality of the goods manufactured, and if what is left is divided by the total of the population, then the consumption per head appraised in terms of money is below—though not very much below—the pre-war level; the deficiency thus disclosed appears to be mainly in cereals and other foodstuffs. Yet it is a fact not denied by the Bolsheviks themselves that there is a famine in many articles of common necessity. The assertion is made that this famine is attributable to the possession of large purchasing power by the population—that, in other words, there is in reality no hunger, but only

big appetite. The unsatisfactory conditions in which the majority of people live and the fact that rationing is still resorted to hardly bear out this contention. In these circumstances, it is clear that division of the total value of the national production (or income) by the total of the population affords a basis only for an approximate comparison between the standard of living of the Russian people before and after the war. Of certain consumable commodities the supplies are larger, and probably much larger, of others smaller, and probably very much smaller, than in 1913; but in the absence of detailed statistics it is impossible to say which commodities are scarcer, which more plentiful. That there is a serious shortage of consumable commodities generally is a fact to which writers in the Bolshevik Press and other observers on the spot bear witness.

Not merely the unevenness in the supply of various commodities which make up personal consumption, but also the inequalities of the amounts consumed by different categories must be considered.

In Soviet Russia there are no rich people in the sense in which riches are understood in the West; but although incomes are on a low level, they vary in different sections of the population; hence consumption varies also.

In 1930-31 the Plan was not fulfilled in the sphere of foreign trade. The value of exports should have been double that of exports in 1928-29, the first year of the Plan, but it remained the same as in that year, amounting in current prices to only 890 million rubles. The value of imports expressed in current prices was 1,044 million rubles; thus an adverse balance of 154 million rubles resulted. The fall in exports was due mainly to the severity of protectionist measures taken in foreign countries and to the contraction of their purchasing power as a consequence of the world crisis.

In 1931 Russia's short-term indebtedness reached 31.6 per cent. of the commercial indebtedness and 158 per cent. of the short-term indebtedness of pre-revolutionary times. To some extent this form of financ-

ing compensated for the closure of the long-term capital market. Whilst the industrialisation provided for in the Five-Year Plan had been carried out chiefly by means of capital accumulated internally, foreign finance played not a small part in reconstruction. Soviet Russia was still dependent upon the outside world both for money and for commodities.<sup>1</sup>

<sup>1</sup> By permission of the author, Mr. E. M. Shenkman, the following important conclusions are extracted from the manuscript of a book in preparation, the title of which is to be "The Foreign Economic Policy of Russia since the Emancipation." "Owing to the growth of its purchases abroad, Soviet Russia's requirements in foreign financial facilities are increasing uninterruptedly, but the ability of foreign governments to pledge public credit for the purpose of enabling these credits to be forthcoming remains within narrow limits. Such government guarantees are usually of short duration, and their accumulation might cause great embarrassment to those Moscow authorities who have the management of payments abroad. But whilst the volume of imports can be arbitrarily fixed by the Soviet Government, the volume of exports is determined by a number of factors, political as well as economic. These factors are partly the direct result of the upheaval which occurred in Soviet Russia fifteen years ago, and cannot be changed by governmental order. They are also partly the outcome of certain laws of bourgeois political economy which still dominate the trade relations between Soviet Russia and the outside world. Since the large properties belonging to the nobility and well-to-do peasantry were eliminated as a result of two agrarian revolutions (the first in 1917-18, the second—collectivisation—in 1930-31) Soviet Russia cannot create an adequate surplus of exportable agricultural commodities, and many years must elapse before the peasantry are able to settle down in the newly-created conditions. Equally, without defeating the whole aim of her economic policy, it is impossible for the Soviet Union to go far in limiting for the sake of exports its requirements in raw materials (timber, oil, etc.) which tend to increase as industrialisation increases. On the other hand, the absorption capacity of foreign markets depends largely upon purchasing capacity abroad, which cannot be influenced by the Soviet Government, and upon commercial policies of foreign countries which consume Russian goods and which are dominated by a complicated interplay of home and foreign interests. Although we do not wish to say that Soviet exports have reached saturation point, even assuming that the world depression comes to an end very soon, the possibilities for development are undoubtedly very restricted. Hence the limits of the expansion of Russia's imports, and consequently of her whole industrial development, depends mainly upon the ability of the Soviet Government to extend sufficiently its foreign financial obligations, which, although they have the character of commercial transactions, are to all intents and purposes a public debt. Such a solution of the problem

During 1931 it became increasingly difficult to raise capital for the purpose of carrying out the Five-Year Plan. In July, Stalin dwelt upon this subject at length in the course of an address which he gave before a conference of economists held in Moscow. He said that hitherto foreign capitalists had refused to give Soviet Russia long-term loans, and the chief sources of capital had been state revenue, light industry and agriculture—in other words, the individual peasant farms. Agriculture could no longer yield a surplus, but, on the contrary, because of its collectivisation, required financial aid. In future therefore heavy industry must provide capital for reconstruction purposes. The exhaustion of capital resources was partly due to the uneconomic management of many enterprises which “careered merrily along without calculation, under the impression that whatever happened the State Bank would pay.”

Heavy industry did not fulfil Stalin’s wishes and make a contribution to revenue; instead, in the words of Ordjonikidze, it “swallowed mountains of money.”

Concisely summarised, the aims and achievements of the Five-Year Plan during 1931 were as follows:—

#### LARGE-SCALE INDUSTRY

	Planned.	Result.
Gross production of large-scale industry	$\begin{cases} 32.6 \text{ milliard 1926-} \\ \quad 27 \text{ rubles} \\ 18.8 \text{ milliard pre-} \\ \quad \text{war rubles} \end{cases}$	$\begin{cases} 27.1 \text{ milliard 1926-} \\ \quad 27 \text{ rubles} \\ 15.7 \text{ milliard pre-war} \\ \quad \text{rubles} \end{cases}$
Yearly output per worker . . .	4,469 rubles	3,278 rubles
Cost of production . . .	Decrease 10.5 per cent.	Increase 2.0 per cent.

as is here suggested would place the financing of Russia on a firm basis. But it is difficult to perceive at present how foreign creditors can be persuaded to finance a country where, in spite of the many sound and constructive features of the Five-Year Plan, there exists an economic and political crisis, the results of which can hardly be foreseen to-day, and where social conditions generally afford anything but security for investment.”

## CHIEF LARGE-SCALE INDUSTRIES

	Planned.	Result.
Oil . . . .	25.6 million tons	22.3 million tons
Coal . . . .	83.6 " "	58.6 " "
Pig-iron . . . .	8.0 " "	4.9 " "
Railway transport . .	330 " "	254 " "
Cotton textiles . .	2,820 " metres	2,390 " metres

## AGRICULTURE

	Planned.	Result.
Sowing area of cereals .	108.7 million hectares	104.5 million hectares
Sowing area of technical crops . .	13.5 " "	14.1 " "
Total cereal harvest .	90.1 " tons	78.4 " tons

(Here it should be mentioned that as early as the end of 1930 the number of individual peasant households collectivised was sixteen millions, ten million more than was contemplated for 1932-33 in the original Five-Year Plan, and that in 1931 the number of tractors in existence was 120,000, 50,000 less than the original Plan projected for the same year.)

## PRODUCTION AS A WHOLE

	Planned.	Result.
National income . .	49.8 milliards of chervonets rubles <sup>1</sup> 29.5 milliards in pre-war rubles	60.0 milliards of chervonets rubles <sup>2</sup> 22.6 milliards in pre-war rubles
Capital investment <sup>2</sup> . .	17.1 milliards of chervonets rubles	16.1 milliards of chervonets rubles
National accumulation <sup>2</sup>	11.5 milliards of chervonets rubles 6.8 milliards of pre-war rubles	10.5 milliards of chervonets rubles 4.0 milliards of pre-war rubles
Percentage of National income . . .	23.1	17.9

<sup>1</sup> Official figures. Excluding Excise duties.<sup>2</sup> Approximate figures.

The foregoing figures show that the planned increase in large-scale industry was not fulfilled despite the fact that a further lowering in the quality of goods took place; that instead of there being a decrease, there was an increase in the cost of production; that the planned increases in the sowing area of cereals and of the harvest were not realised, but that the planned increase in the area under technical crops was more than realised; that the planned increase in production as a whole was only accomplished in terms of chervonets rubles, and that the planned increase in national accumulation was almost but not quite fulfilled in terms of chervonets rubles.

Estimated in accordance with the Five-Year Plan, the gains and losses during 1931 were as follows:—

GAINS						Per cent.
Increase in gross output of large-scale industry	.	.	.	.	.	21·7
"    sowing area	.	.	.	.	.	7·6
"    national income	.	.	.	.	.	6·2

  

LOSSES						Per cent.
Decrease in production of pig-iron	.	.	.	.	.	7·5
"    productivity per worker in large-scale industry	.	.	.	.	.	8·9
Increase of cost of production	.	.	.	.	.	2·0
"    price index	.	.	.	.	.	50·0

Soviet leaders declared that the Plan for 1931 had been fulfilled. But for this assertion there was not sufficient justification. The gain in industrial production was impressive; but it was characterised by embarrassing unevenness; basic industries upon which the economic welfare of the country depended lagged too far behind. Still more impressive were the losses, not the least of which was the failure of agriculture to keep pace with industry. In view of the fact that the overwhelming majority of the population consisted of peasants, it was evident that the development of industry was being artificially forced.

In these circumstances it could not be said that the Plan was what the Bolsheviks intended it to be—an instrument controlling and co-ordinating the whole economic life of the country. It was, however, a powerful inspiration for a backward and indolent people to bestir themselves, and a not less powerful justification for compelling them to do so.

Defects which existed in the soviet system under War Communism, and which continued to exist, though in a less acute form, after the introduction of the New Policy, were still manifested in 1931, within one year of the completion of the time allotted for the Five-Year Plan. Of these defects the chief were: insufficiency of housing space, of manufactured goods, of food and sometimes of fuel, high prices, deterioration in the quality of goods produced, and neglect of equipment.

The year 1932 is the last year of the "Five"-Year Plan, which has now become a Four-Year Plan. Some idea of the possibilities of complete fulfilment may be gained from the following tables, which show as regards the leading branches of national economy (1) plans for 1931, (2) fulfilment, (3) plans for 1932, (4) plans for the fifth year of the original Five-Year Plan, which was confirmed by the Central Executive Committee in 1928:

#### GROSS PRODUCTION OF LARGE-SCALE INDUSTRY

	Milliards of 1926-27 Rubles.	Milliards of pre-war Rubles.	Number of Workers.	Output per Worker. (in rubles.)
1931 planned . . .	32·6	18·8	4,207,000	4,469
1931 fulfilled . . .	27·1	15·7	4,777,000	3,278
1932 planned . . .	37·5	21·6	5,453,000	3,968
1932-3, according to fifth year of original Five-Year Plan . . .	36·6	21·1	3,631,000	5,817

**CHIEF LARGE-SCALE INDUSTRIES**  
(In millions of tons and metres.)

	Petroleum.	Coal.	Pig-iron.	Cotton Textiles (Metres).
1931 planned . . .	25.6	83.6	8.0	2,820
1931 fulfilled . . .	22.3	58.6	4.9	2,390
1932 planned . . .	27.4	90.5	9.0	3,061
1932-33, according to fifth year of original Five-Year Plan . . .	21.7	75.0	10.0	4,700

**AGRICULTURE**

	Sowing Area: Cereals.	Technical Crops.
1931 planned . . .	108.7 million hectares	13.5 million hectares
1931 fulfilled . . .	104.5 " "	14.1 " "
1932 planned . . .	105.8 " "	16.0 " "
1932-33, according to fifth year of original Five-Year Plan . . .	111.4 " "	12.0 " "

**Harvest.**

1931 planned . . . . .	97.9 million tons
1931 fulfilled . . . . .	78.4 "
1932 planned . . . . .	90.1 "
1932-33, according to fifth year of original Five-Year Plan . . . . .	106.0 "

**NATIONAL INCOME**

	Milliards of Chervonets Rubles.	Milliards of Pre-war Rubles.	Price Index.
1931 planned . . . .	49.8	29.5	168.8
1931 fulfilled . . . .	60.0	22.6	265.7
1932 planned . . . .	78.1	29.4	265.7
1932-33, according to fifth year of original Five-Year Plan . . . .	41.2	28.4	145.2

	Capital Investments in Milliards of Cher-vonets Rubles.	National accumulation		Percentage of National Income.
		In Milliards of Cher-vonets Rubles.	In Milliards of Pre-war Rubles.	
1931 planned . . .	17·1	11·5	6·8	23·1
1931 fulfilled . . .	16·1	10·5	4·0	17·9
1932 planned . . .	21·1	14·8	5·6	18·9
1932-33, according to fifth year of original Five-Year Plan . . .	17·1	9·8	6·7	23·8

The Plan for 1932 projects much larger increases than it was found possible to attain in 1931. Thus, for example, a growth amounting to 30 per cent. in the national income is anticipated—more than four times that achieved in 1931. It is certain that in regard to this and other important branches of national economy the contemplated increases will not be effected. The Five-Year Plan, or the Four-Year Plan as it has become, will therefore only be carried out in part.

For the first quarter of 1932 (January–March) the percentages of increased production planned and fulfilled in some leading industries were as follows :

		Planned.	Fulfilled.
Oil . . . . .		22·9	10·6
Coal . . . . .		54·6	35·6
Pig iron . . . . .		83·7	27·5
Cotton textiles . . . . .		80·7	28·1

A new Five-Year Plan, which is to be put into operation in the beginning of 1933, has already been drawn up. Molotov, President of the Council of Commissars, explained that the objects of this plan were twofold: first to solve the problem of improving the material

condition of the workers and peasants, particularly as regards housing ; secondly to overtake the technical and economic development of the leading capitalist countries. Molotov confessed that Soviet Russia was still far behind these countries.

The capital required for the second Five-Year Plan will be even larger than that expended during the term of the first Plan. How is this capital to be raised ? Hitherto state industry survived and expanded chiefly because it was supplied with funds by other branches of state economy. To these funds the individual peasant households were required to make a heavy contribution. Although collectivisation has made great progress, the number of individual households is still considerable, but as a consequence of the agrarian upheaval of recent years they have become deeply impoverished. If the necessary means are to be found for carrying out the second Five-Year Plan, either their condition must be alleviated, or, after fifteen years of a hazardous and experimental existence, socialist enterprise must be rendered efficient and established on a profitable basis.

\* \* \* \* \*

In concluding a recital of economic events in Soviet Russia during fifteen years, it is not inappropriate to draw comparisons between the achievements of socialism and those of capitalism. As early as the middle of the nineteenth century, Marx and others predicted that from capitalism, socialism would be born, and noted that capitalism in its struggle to overcome the evils of its own creation was forming large groups or trusts and resorting to increased mechanisation. Since that time, under the name of rationalisation, both trustification and mechanisation have made marked progress. Bolshevism, which in reality is socialism fanatically in earnest, has striven to enlarge these processes, to carry them to their logical conclusion. The result is the organisation of the state as a trust of trusts, and of all its citizens as employés of trusts. The object which it is sought to attain is pre-

cisely the same as that which capitalism has always had in view—to create abundance in response to limitless desire.

Capitalism has succeeded in creating an abundance of goods, but not an equal abundance of the power to acquire them; hence many are deprived of those things which they consider essential for an enjoyable existence, and even many of those things which beyond question are indispensable for a life of modest respectability.

Bolshevism, on the other hand, has created an abundance, but not as yet of those commodities necessary for existence in comfort. It has also created an abundance of nominal power to acquire goods whenever they are available; in other words, of paper-purchasing tokens which have intermittent and conditional value. Thus, while capitalism is sparing with money having solid purchasing power, Bolshevism is prodigal with money having but scant purchasing power; in either instance much poverty and misery result. Both systems pursue identical aims by methods which have something in common, but neither has come anywhere near to achievement. In the one, as in the other, inequalities exist, but in Soviet Russia they are not so marked as those prevailing under capitalism; and in the one, as in the other, a man must take what work is offered to him, however degrading, or starve.

Under capitalism individualism of the wrong kind too frequently thrives, that which expresses itself in one of two ways: undisguised aggressiveness or hypocritical humility. The claim was made for socialism that it would do away with this evil. But in Soviet Russia individualism in its most odious forms still flourishes. It is clear that both so-called systems, capitalism and socialism, are built upon a false basis in that they deprive the majority of human beings of true self-respect and rob them of the joy and pride of self-creative activity.

It is not surprising that in Soviet Russia evidences should be visible of the emergence of a society whose

tastes and desires are those of the bourgeoisie of the capitalistic West. The old Bolsheviks, who dreamt of a world transformed by materialism into a paradise of culture, have been swept aside, thrown along with the survivors of the former régime whom they destroyed, upon "the scrap heap of history." Leadership has been seized by young, vigorous, pushful, half-educated young men who thirst for all the material joys that life can give, and who are determined that, since there is not enough for all, theirs shall be the greater portion. They are the vanguard not of the proletariat, but of the bourgeoisie; and represent a type which is new to Russia but which is to be found in all other countries of the world.

In Russia before the revolution intelligent people, Bolshevik and non-Bolshevik alike, despised and ridiculed the bourgeoisie. They were unattracted by the achievements of this class in the West; its money pride, its legal formalism, its petty chattels all were repellent to them. Unceasingly they dreamt of a new universal culture. But only the Bolsheviks had an idea as to how this culture was to be brought about, and even their idea was vague. With primitive fervour, they believed that the new universal culture which was to save mankind would arise when "abundance for all" had been made possible. But the course of the revolution has been determined not by a few Bolshevik idealists, but by the half-nihilistic, half-barbaric spirit of the masses, their envy, their spitefulness, their uncontrollable passion for enrichment. These masses have understood materialism as it is understood in the West: as the full and indiscriminate satisfaction of desire.

The heroic days of the revolution have passed, and most of its foremost heroes are in oblivion. The new men who have come to the front call themselves "builders of life," but most features of the life which they are building have long been familiar to the technically-advanced countries outside Russia.

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